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NEWS SUMMARY

GENERAL

'Mutiny' sparks Kabul curfew

An all-night curfew was declared in the Afghanistan capital of Kabul last night after a day of fighting believed to have been an unsuccessful mutiny by part of the army against the pro-Soviet Government of President Nur Mohammed Taraki.

Radio Kabul blamed "Pakistani and Iranian infiltrators" and said they had gathered near a military barracks in the city and fired a few shots before being wiped out. But residents said the fighting was heavy, with tanks and mortars in action as well as helicopter gunships.

Diplomats in Kabul said the fighting represented the most serious challenge yet to Taraki's regime, which is already facing a rebellion in the countryside by Moslem tribesmen. Page 2

New Government

A new Italian Government, led by Christian Democrat Francesco Cossiga, was sworn in yesterday, ending the country's longest, most bitter and confused government crisis for 30 years. Back Page

Iran assembly

With nearly two-thirds of the results declared from national elections to a constituent assembly in Iran, clergymen supporting the Ayatollah Khomeini have won a dominating number of seats. Page 2; Editorial comment, Page 16.

Transplant off

Britain's second heart transplant operation, due to be performed at Papworth Hospital, Cambridge, was called off because the patient's condition had not deteriorated as expected.

Dearer petrol

The Irish Government has increased the price of petrol by another 12p a gallon—the fourth increase since January—taking the cost of top grades to £1.22 a gallon.

Snub for UN

Israel will not co-operate with the United Nations Truce Supervision Organisation in its attempts to oversee Israel's withdrawal from Sinai, the Government announced after a Cabinet meeting. Page 2

Raid protest

Lebanon has lodged a protest with the United Nations Security Council over an Israeli raid last week in which five Lebanese Communists were killed and three Palestinians wounded.

Wells' record

Alan Wells smashed his British 20 metres record by two-tenths of a second when he finished in 20.29 seconds to win for Britain in the Europa Cup athletics final in Turin. Sebastian Coe was an easy winner of the 800 metres.

Together again

Eric Morecambe and Ernie Wise held a reunion yesterday—and laughed at rumours that Eric's major heart operation would stop them returning to the nation's TV screens.

Briefly . . .

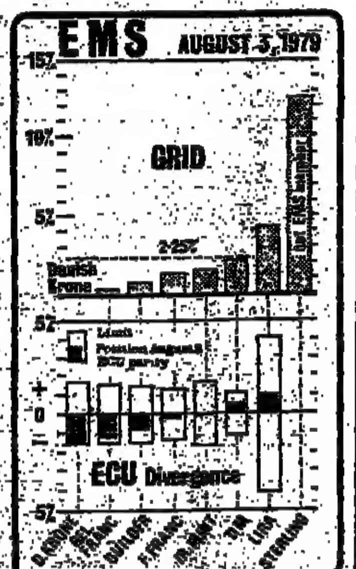
Greek police are investigating the death of Glaswegian William Tran, whose bruised body was found on a beach near Rhodes.

Britain's Graham Noyce became the new world 500 cc moto-cross champion following results of Belgian Grand Prix.

BUSINESS

Danish krone weakest EMS unit

● DANISH krone was the weakest member of the European Monetary System throughout last week, replacing the Belgian franc. On Friday the *Danish unit* was calculated as being only just within its maximum permitted divergence against the ECU. Elsewhere pressures experienced recently eased considerably, with interest rates showing some signs of stabilising. The lira remained the most improved currency and appeared to be unaffected by recent political uncertainty in Italy.



The chart shows the two constraints on exchange rates within the European Monetary System, the "grid" of cross rates from which no currency (except the lira) may move more than 2¼ per cent, and the varying degrees by which each currency may diverge from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies. The "grid" is always shown by reference to the weakest currency in the system, which is the base line in the top chart.

● BUSINESS activity in Britain has picked up since the spring and industry has become more optimistic about long-term economic prospects, according to the latest Financial Times Survey of Business Opinion. But businessmen are increasingly worried about short-term accelerating inflation and a probable recession. Back and Page 8

● SMALL and medium-sized companies are to be encouraged to expand in a series of measures being prepared by Government departments for launching in the autumn. Back Page. The Midland Bank, *which has taken the lead in* promoting finance schemes for small companies, says that small *businesses are reluctant to take* up equity finance packages. Page 4

● MARATHON Manufacturing of the U.S. is looking for a buyer for its Clydebank rig-building yard, which was saved from closure at the beginning of this year by a £12m Government order. Back Page

● WESTERN oil companies say that exploratory drilling in Chinese offshore waters may begin by late next year. China's continental shelf remains one of the few promising but unexploited areas in the world and BP is among a number of oil companies carrying out seismic surveys there. Back Page

● BRITISH RAIL *is* unlikely to introduce fuel surcharges to cover higher operating costs until the end of the year, but *from January* rail fares could go up by over 20 per cent. Back Page

● KAISER STEEL, the ninth-largest U.S. steel producer, showed $75,000 earnings at the halfway stage, compared with a $1.3m loss last time. Page 19

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Commonwealth delegates back UK initiative

Framework agreed for Rhodesia constitution talks

By DAVID PALMER, MARTIN DICKSON and MICHAEL HOLMAN in Lusaka

A framework for a new British initiative leading to a Rhodesian constitutional conference was agreed by six key Commonwealth nations in Lusaka over the weekend. It will be presented to the British Cabinet on Friday.

The agreement will be put to a full session of the Commonwealth Conference for formal endorsement today. A text of the agreement, which will form part of the final conference communique, may be released tonight.

There are expected to be two principal elements to the final document:

1—Britain will draw up fresh constitutional proposals to be sent to all interested arties to the Rhodesia dispute very soon, probably nextweek. If and when the Government feels that the response to those proposals is sufficiently constructive, then a constitutional conference will be called.

Approach

2—There will be movement as rapidly as possible from the constitutional conference to new elections in Rhodesia. These will be monitored and supervised by Britain.

The approach by Lord Carrington, the Foreign Secretary, and of President Julius Nyerere of Tanania, the two moving forces behind the initiative, is to take the Rhodesia issue step by step. The first step is seen as the make-up of the constitution itself.

The informal weekend talks at State House in Lusaka, which led to the agreement, centred on details of Britain's constitutional proposals. The principal participants in the discussions were Britain, Tanania, President Kaunda of Zambia, Mr. Malcolm Fraser of Australia, Major-General Adefope of Nigeria, Mr. Michael Manley of Jamaica, and Sir Shridath Ramphal, the Commonwealth Secretary-General.

The inclusion of th eNigerian Commissioner for External Affairs in the talks—so soon after the big row between Lagos and London over the nationalisation of British Petroleum assets—indicates the importance given to carrying Nigeria along with any initiative. General Adefope must now return to Lagos and convince his Government that it should endorse his acceptance of the agreement.

This is only one of the hurdles that lie ahead for the initiative. By taking a step-by-step approach, and concentrating most of the attention on the constitution, a series of important questions are left unanswered:

1—Law and order: Who will run Rhodesia between the constitutional conference and the new elections? Who will control, and what will be the make up, of the armed forces during this period? When and how will a ceasefire be called?

These issues have bedevilled every constitutional initiative on Rhodesia in recent years.

Neither the British nor the Tanzanians are prepared at this moment to address them in detail. Although they have been discussed informally nothing has been agreed.

2—The absentees: The Muzorewa government in Salisbury, and the leadership of the two Patriotic Front guerrillas groups, have not participated in the Commonwealth talks. It is far from certain that they will go along with the initiative on terms acceptable to everyone else.

Lobbying

As far as Salisbury is concerned, the British are expressing optimism. This is based in part on their talks last night with Bishop Muzorewa, the Zimbabwe-Rhodesia Prime Minister, and in part on a statement he made on Friday night that Mrs. Margaret Thatcher's critical comment on the internal settlement constitution came as no surprise to him, and that he was prepared to talk to the Patriotic Front.

As for the Patriotic Front, there have been no formal contacts between them and the British during the Lusaka conference. Mr. Joshua Nkomo, the leader of ZAPU, and Mr. Edgar Tekere, secretary general of ZANU, have been busy lobbying other delegations.

In the mood of optimism that was at large in Lusaka last night there was a feeling that the two key Commonwealth *front-line* States—*Tanzania* and Zambia—could lean sufficiently hard on the Patriotic Front to carry them along. It is a view that will now be put to the test.

Continued on Back Page

Tories seek to avoid split

BY ELINOR GOODMAN

THE GOVERNMENT is hoping to head off a painfully public split in its own ranks over Rhodesia by keeping events moving very fast between now and the party's annual conference at the beginning of October.

The conference traditionally provides Tory Right-wingers with their most sympathetic audience, and this year, it could produce the first real test of the acceptability of the new proposals to the Government's own supporters.

If Ministers are able to keep to the timetable now being discussed, they would hope to be able to provide conference delegates with enough evidence that international recognition was an obtainable prize to pacify all but the small hard core of right wingers who have consistently opposed sanctions over the years.

They would also hope to minimise the opposition to their plans among their own backbenchers so that by the time any independence Bill came to be debated, they could count on the support of the great majority of their own backbenchers as well as that of the Opposition.

Nevertheless, it is acknowledged that feelings about the whole Southern Africa issue may be running high again at conference, and that Ministers may find it difficult to sell their policy.

Their task would certainly be made more difficult if they had been seen to ditch Bishop Muzorewa and to have actively connived in the downfall of Mr. Ian Smith.

In the past, Rhodesia has often been among the top half dozen issues which delegates want to discuss. This year, even more resolutions—many of them calling for an immediate recognition of the internal settlement and an end to sanctions—have been received than usual.

The signs yesterday were that if the Prime Minister came back from Lusaka with the kind of agreement that appeared to be on the cards, she would face vociferous criticism from Right-wingers in her own party. But it seemed that the split could be less damaging than that which would have accompanied any move to bulldose the renewal of sanctions through her own backbenchers.

BNOC wants Government to get tough

BY RAY DAFTER, ENERGY EDITOR

THE GOVERNMENT is being asked to impose tougher licence conditions on North Sea oil companies which, according to British National Oil Corporation, are failing to drill enough exploration wells.

A confidential report drawn up by BNOC claims that:

● Oil companies have failed to drill on a large proportion of licensed blocks.

● Companies awarded the most number of blocks "perform less well" than other operators when it comes to drilling exploration wells.

● U.S. operators, responsible for the majority of the territory licensed in early rounds, drill more wells per block than other companies, including those based in the UK.

Flexible

As a result the corporation has now recommended to the Government that companies should be set a tougher, and more strictly imposed drilling commitment when licences are awarded. One suggestion being made in BNOC, is that companies would have to drill at least one exploration well per block, with an option of a second if the operator and the Energy Department can agree that it is warranted.

BNOC has also suggested that the Government should adopt a more flexible approach to licensing: that it should move away from issuing licence rounds every other year or so and be willing to offer small numbers of blocks when either the Energy Department or the oil companies should wish. In this way, it is argued, the offshore industry would be able to break from a cyclical trend of high and low activity. Exploration drilling in UK waters is now at its lowest point since 1972.

The study into exploration drilling during the first four rounds of offshore licences was carried out in BNOC's economic intelligence department. Its results lay behind the recent statement of Lord Kearton, chairman and chief executive of BNOC, that oil companies had been sitting on unexplored "acreage" and had been telling "outrageous lies" about the corporation.

According to BNOC's analysis of drilling data, of the 371 blocks and part blocks allocated in the first four rounds of licensing and still held by offshore operating groups, some 38 per cent remained completely unexplored.

On average the industry had drilled 1.21 wells on these licensed blocks. "This is not an impressive performance when one bears in mind that the average size of block is over 250 square kilometres," says the report. "It hardly endorses the view that the North Sea is a mature province."

The UK-based operators are said to have performed on average the worst. Up to spring, when the analysis was made, British operators had sunk an average of 1.09 wells per block whereas U.S. companies had drilled 1.29 wells on average.

Among the companies mentioned in the report as having been "good performers" are Occidental, Chevron, Monsanto, Conoco, Hamilton, Mobil and Texaco. Amoco and Phillips were described as "relatively poor performers" with an exploration well to block ratio of less than one.

British Gas Corporation is also said to have performed relatively poorly and BP's record in the first four rounds is described as "slightly worse than average." BP commented at the weekend that its record of performance was as good, if not better than any other major in the North Sea.

Shell is said to have been one of the worst exploration performers when blocks already handed back to the Government are taken into consideration. A Shell official commented: "We have been very active in the North Sea. If we have not drilled on a specific block at this time there are good geological reasons why we have not done so."

Future

It was pointed out in the industry at the weekend that the cold statistics masked the uncertainties of varying geological conditions that occurred in each block. Mr. George Williams, director-general of the UK Offshore Operators' Association rejected the suggestion that the industry had not fulfilled its drilling commitment.

The operators' association is now discussing with Government possible plans for exploiting small finds. It has also submitted its views on future licence rounds. In essence it is hoping that the Government will offer a fair proportion of attractive blocks in the forthcoming seventh round of licences. It is also looking for assurances about a stable tax regime and a much reduced involvement of BNOC.

What caused Lord Kearton's outburst, Pafie 17

Limited support forecast for engineers' strike today

BY NICK GARNETT, LABOUR STAFF

ENGINEERING EMPLOYERS yesterday predicted that today's national one-day strike over a claim on minimum pay rates would receive only limited support.

The union's national overtime ban, which started a week ago, has affected about 1,000 of the 6,500 companies in the Engineering Employers Federation, according to company figures. It is in support of a minimum £80 a week craft rate.

The federation said yesterday that the ban had been imposed by 320,000 workers—about a quarter of the total workforce of 1½m in member companies. The ban has also been called in non-federation companies employing a further 1m workers.

Today's one-day strike is the first in a series. The federation believes the overtime ban figures are a strong indication that it will receive patchy support and that in most companies where the ban has been imposed it has been done reluctantly.

The strength of support for the action called by the Confederation of Shipbuilding and Engineering Unions is still being masked, however, by regional and company holidays.

Many engineering companies in the West Midlands and a quarter of Scottish employers were on holiday last week. A large number of other companies, particularly in the South-East, were also shut down for their annual break.

It is not clear how this will influence figures this week. But the federation said that maintenance staff in a considerable number of companies that were shut last week because of holidays had been banning overtime.

There have been some signs of groups of shop stewards adopting a tough approach. The joint shop stewards committee at Rolls-Royce in Coventry has issued letters to a large number of sub-contracting companies saying that if they are not closed down today their goods will be blacked by the Rolls-Royce workforce.

Union leaders have already warned that an all-out strike and selective area strikes cannot be ruled out. Mr. Terry Duffy, president of the Amalgamated Union of Engineering Workers, said yestreday that he expected maximum support today.

"If the employers do not concede during the next two weeks, we are committed to step up the campaign," he said.

Mr. Duffy claimed that 60 engineering companies, including some federation members, had now conceded the unions' claim in full.

Mr. Anthony Frodsham, the federation director-general, said at the weekend that companies were not being intimidated by the action. There was no truth in claims of widespread concessions by employers.

Apart from the money claim, the unions are seeking a one-hour reduction in the working week this year, two days' extra holiday and a common implementation date for the new national agreement.

The employers have offered to increase the craft rate from £60 to £70, the unskilled rate from £45 to £50 and semi-skilled rates by 11.1 per cent. They have also proposed a working party on conditions.

Crown Agents shortlist private firms to take over audit

BY MICHAEL LAFFERTY,

THE EXCHEQUER and Audit Department — the government auditor — is being dismissed from the audit of the Crown Agents because management believes it lacks sufficient commercial orientation for the job.

In its place, the State-owned Crown Agents, which acts for almost 100 overseas governments, has drawn up a shortlist of about five major private-sector accounting firms from whom the next auditor will be selected.

The shortlist follows an invitation by the Agents' management to 14 large- and medium-sized accounting firms to tender for the Crown Agents audit. The shortlisted firms will be told the result today.

Another reason why the Crown Agents management is thought to want to make a break with the Government auditor is because of alleged failures by the Exchequer and Audit Department during the years 1967-74 when the Agents incurred losses of over £200m as a result of its incursion into secondary banking.

The subsequent Fay committee report into the affair, published in December, 1977, recorded that by October, 1974, there were no audited accounts for the Crown Agents later than 1971, and no urgency over producing up-to-date accounts. Accounts audited by the Department ought to have served as an annual public record, as a management tool, and as a means of providing the Government with information. But, for various reasons, the accounts failed to perform these functions, said the report.

Mr. Alan Molesworth, Crown Agents Finance Director, refused to identify the firms on the short list. But it is considered likely that the firms concerned come from the following: Arthur Andersen, Arthur Young McClellend Moores, Coopers and Lybrand, Deloitte Haskins and Sells, Ernst and Whinney, Price Waterhouse, Peat Marwick Mitchell, and Thomson McLintock. The audit fee is in the region of £100,000 a year, but Mr. Molesworth said the firm eventually selected might be expected to absorb some of the learning costs associated with a new client.

The shortlist is not believed to include any of the medium-sized firms which had been invited to tender for the audit. However, some major firms did not impress the Crown Agents management with the quality of their presentations. The next step will involve the short-listed firms appearing before the Crown Agents [illegible].

OVERSEAS NEWS

Afghan troops mutiny at Kabul's Bala Hisar Fort

BY SIMON HENDERSON IN ISLAMABAD

PART OF the Kabul garrison apparently mutinied yesterday, confronting the pro-Soviet regime in Afghanistan with its most serious challenge yet.

According to diplomats in Islamabad, shooting broke out soon after mid-day near the Bala Hisar Fort, a barracks near the centre of the city. Machine gun, tank and mortar fire was heard, and within an hour a Russian MI-24 helicopter gunship fired rockets into the fort.

Life in other parts of Kabul was reported to be almost normal, with spectators watching the firing, but streets near Government Ministries were closed and the armoured unit guarding the radio station was reported to be on top alert.

The fighting is reported to have died down after about four hours and the Afghan capital was returning to normal by late afternoon.

Morale of the Afghanistan Army has been affected in the past few months by the rebellion of Moslem tribesmen in protest at the policies of President Nur Mohammed Taraki's Left-wing Government.

There have been heavy casualties and desertions, sometimes of whole units. The rebels are now said to control about 90 per cent of the country but have lacked the organisation and unity to overthrow the regime.

It was not clear whether Soviet advisers were taking part in the fighting. There are 1,500 Russians serving with the military, and twice as many civilian advisers.

No casualties were reported among the foreign community, but Afghan casualties were thought to have been high because of the proximity of the firing to the densely populated Bazaar area.

A Pakistan International Airlines aircraft was on the ground at Kabul Airport when the firing started. Officials were initially disturbed and confused, but then ordered the Pakistani pilot to take off.

Yesterday's incident is the second disturbance in Kabul in the past six weeks. In June civilians clashed with security forces and several were killed.

There have been earlier mutinies of soldiers in Jalalabad and in Herat, where in April dissident troops and rebel tribesmen took over the city for two days before being bombed into submission. In this incident several Russians were believed to have been killed.

Last week President Taraki, who came to power in a military takeover in April 1978, reshuffled his Cabinet and took for himself a more direct authority over the Armed Forces.

Clergy dominate Iran Assembly

BY ANDREW WHITLEY IN TEHRAN

WITH NEARLY two-thirds of the results declared from Friday's National Elections to a Constituent Assembly in Iran, it is already evident that, as expected, pro-Khomeini clergymen will dominate the Assembly.

The main opposition will come from delegates sponsored by the moderate Moslem People's Republican Party (MPRP), which is backed by Ayatollah Shariat-Madari and stands for a plural society with greater democratic freedom than that envisaged by Ayatollah Khomeini's supporters.

However, in the two provinces where the MPRP is strongest, East Azerbaijan in the north-west and Khorrassan in the north-east, the announcement of the results has been held up by objections from both the MPRP and the rival Islamic Republican Party (IRP), which claims to have the sole mandate from Ayatollah Khomeini

Mr. Rahmatullah Moghadam-Maraghei, the head of the small Radical Movement, and an apparently successful candidate in East Azerbaijan, said the IRP had held up the declaration in the Turkish-speaking province by complaining that they ought to have had more seats.

Unofficially, MPRP nominees won all six of the East Azerbaijan seats, although one nominee had also been sponsored by the IRP and there was a dispute with the IRP over the sixth place. In yesterday afternoon's horse trading, the Central Government was reported to be trying to reach an accommodation with the pro-Khomeini party.

In Khorrassan, another large and important province, the situation is the converse. Here, results distributed initially by the Government News Agency, but not confirmed by the Central Election Committee in Tehran, appeared to show a majority of the seven seats won by hardliners, with MPRP clergymen gaining only one seat outright and sharing two others with the IRP.

A spokesman for Ayatollah Shariat-Madari, who is living in the provincial capital, Mashad, and who had earlier expressed reservations about the elections, said there had been widespread objections to interference from the "ruling party

Yugoslavia freezes consumer goods prices

By Paul Lendvai in Vienna

THE YUGOSLAV Government, faced with rampant inflation and the danger of a record trade deficit, imposed at the weekend an immediate price freeze on consumer goods and services.

It also raised by 50 per cent the required down payment for goods bought under hire purchase agreements. Upper limits were also put on prices which are normally set freely.

The action was taken on Friday evening in agreement with the Government of Yugoslavia's six constituent republics and two autonomous provinces. Under the Yugoslav system of worker self-management and economic decentralisation, regional authorities and individual companies enjoy a much higher degree of independence in investment and pricing policy than in other Communist countries.

Inflation this year is running at a rate of 19 per cent and the foreign trade deficit during January-May rose by 16 per cent compared to the same period last year to $2.6bn. If the trend is not checked, it could reach over $6bn this year as against $4.3bn in 1978.

Overheated investment, excessive money supply and the high level of public and private spending are the main sources of imbalance. In view of this year's poor harvest, Yugoslavia will have to import 700,000 to 800,000 tonnes of wheat.

The latest measures have long been overdue. The annual report on Yugoslavia just published by the Organisation for Economic Co-operation and Development (OECD) bluntly warned the Government that its targets for the deficit and the inflation rate were "unrealistically low"

'Bloodiest dictator' overthrown

President Francisco Macias Nguema of Equatorial Guinea, has been overthrown, according to the national radio yesterday, raising hopes that one of Africa's bloodiest dictatorships was over, AP reports from Paris. The broadcast, monitored in Paris, said the President was overthrown on Friday night in a bloodless coup, and replaced by a military junta calling itself the Revolutionary Military Council. The identities of the tiny country's new leaders were not given.

An earlier broadcast said the President was arrested in his home village by Col. Theodore Nguema Menzoso, the Vice-Minister of Defence.

Ugandan crime wave

The Ugandan Government has ordered all Ugandan troops back to barracks, John Worrall writes from Nairobi. The action is part of an attempt to stop the wave of killings and robberies in Kampala. Some armed raids have been carried out by men in uniform.

Tarling trial starts

Mr. Richard Tarling, the British businessman extradited from Britain in March, went on trial in Singapore's High Court on Saturday on five charges of violating Singapore company law, Reuter reports.

Indian flood toll

Millions have been affected by monsoon floods in northern India, Reuter reports from New Delhi. About 2.5m people have been hit in Bihar State, and 280,000 marooned in neighbouring Uttar Pradesh. About 1,700 square miles of crops have been destroyed. Elsewhere in Uttar Pradesh, crops have been ruined by drought.

China warns Hanoi

China yesterday accused Vietnam of stepping up preparations for war, and demanded that border provocations stop immediately, Reuter reports from Peking. A Foreign Ministry Note said Vietnamese attacks on the Yunnan frontier had caused heavy damage and loss of life.

Carter telephone call soothes Israeli cabinet

BY DAVID LENNON IN TEL AVIV

ISRAEL HAS followed the American lead in cooling the angry public debate over a reported pro-Palestinian shift by the U.S. Administration.

The Cabinet yesterday held a lengthy debate on the crisis in relations with the U.S., but decided not to publish its decisions. Instead they are to be transferred privately to Washington.

This followed conciliatory phone calls to Mr. Begin, the Prime Minister, over the weekend, by President Jimmy Carter and his envoy to the Palestinian autonomy talks, Mr. Robert Strauss.

A sizeable number of Ministers were known to favour suspending the autonomy talks until the U.S. decision is clarified, but it appears that a more moderate approach won approval in the Cabinet.

The fifth round of the autonomy talks between Egypt, Israel and the U.S. began in Haifa last night, but the prospect of agreement appears more remote than ever.

Israel was deeply angered by what it saw as a series of American expressions last week which appeared designed to bring the Palestine Liberation Organisation (PLO) into the autonomy talks.

Israel produced copies of written American undertakings not to have any dealings with the PLO as long as it failed to grant Israel's right to exist, and accused the Americans of planning to renege on these commitments.

Jerusalem is convinced that Washington is planning to back a new UN Security Council resolution which would indicate PLO acceptance of Israel and open the way for a PLO-U.S. dialogue.

● Jonathan Carr adds from Bonn: Friction between West Germany and Israel was likely to be heightened yesterday when Herr Juergen Moellemann, a key spokesman on foreign policy and defence matters of the Free Democrat Party (FDP) left for a Middle East tour which will include meetings with Yassir Arafat the PLO leader and Lebanese and Syrian officials.

The appearance of Herr Willy Brandt, the Social Democrat Chairman, with Mr. Arafat at a recent Press conference in Vienna brought sharp criticism from the Israelis.

Iraq coup bid–Assad accused

BY ALAN MACKIE IN CAIRO

SYRIAN PRESIDENT Hafez el Assad was the main hand behind last month's abortive plot in Iraq to overthrow the Baathist regime, according to President Saddam Hussein, Iraq's leader. He made the accusation at a special session of the high command convened to expose the conspiracy.

"Assad is the real curse of the Arab nations, but I did not imagine he would go so far in his crimes while we were negotiating with him over unity," Gen. Hussein is reported as saying in a front page story in the Daily Al Ahram printed in Cairo yesterday.

Abdel-Hussein Mashhadi, one of the five Iraqi coup ringleaders, and former Secretary General of the Baath Party testified that Mr. Assad had supplied funds and had even offered to provide Syrian paratroopers disguised as Iraqi soldiers when soundings in the armed forces found insufficient support to ensure the coup's success, according to the report.

The plot to remove former President Hassan al Bakr and General Hussein, conceived in 1975, was justified because the two men were too hard line and dogmatic, Mr. Mashhadi claimed. The aim had been to create a unified Syrian and Iraqi state with Baghdad as its capital and Mr. Assad as its first President. The unity talks greatly facilitated contacts between the conspirators but the sudden resignation of former President Bakr forced them to act before they were fully ready.

Rhodesia sanctions may remain

By Our Own Correspondent

THE BRITISH trade embargo on Rhodesia could remain in force even if there was no renewal of sanctions in November, it was learned here at the week-end.

Until now it has been assumed that a renewal of sanctions would require a vote in the House of Commons, followed by passage through the Lords.

Mrs. Thatcher, the Prime Minister, said in Canberra in June that she very much doubted whether Parliament would renew sanctions in November.

This has recently interpreted to mean that, even if there were a majority in the House of Commons in favour of sanctions, there would be no such majority in the Lords, and that the Sanctions Order would not therefore be renewed.

Now, however, British sources are pointing out that the retention of a trade embargo does not require a vote in the House of Lords.

In 1965, at the time sanctions were introduced, instruments were made under the Import, Export and Customs Powers (Defence) Act of 1939. These instruments prohibit imports from Rhodesia, exports to Rhodesia and the remission of funds to Rhodesia for the purchase of imports.

Even if Parliament does not renew sanctions, these instruments will remain in force until an Order is laid by the Government repealing them.

It would then be open to the Opposition to Lay a Prayer against such an Order.

If—and it is a big if—the Opposition motion won a sufficient number of votes from left-wing Tories to be passed, then the instruments under the 1939 Act would remain in force, bilateral trade with Rhodesia would remain illegal, and the matter would never reach the Lords.

Gulf seeks energy markets in West

BY JAMES BUCHAN IN JEDDAH

SHEIKH HISHAM NAZER, the Saudi Planning Minister, has confirmed that Gulf oil producers will seek access to the West's chemical markets by linking sales of their petrochemicals to other energy products.

Sheikh Nazer, in an interview published in Saudi Business on Saturday, made no express link between western purchases of Arabian petrochemicals and the supply of crude oil supplies, but the implication was clear. The common marketing strategy, he said "will be very much tied to other activities in the energy field."

Downstream production — petrochemicals, fertilisers, refined petroleum products and liquid petroleum gases—are the basis of the industrial policies of all the major Gulf producers and will be crucial in Saudi Arabia's own third five-year plan, which starts next summer and will make, in Sheikh Nazer's words, a move towards a productive era.

The first of seven Saudi petrochemical complexes, three export refineries, and massive increases in exports of liquid pertloeum gases and fertilisers are scheduled for the 1980-85 plan.

The Saudi Government has already started work on the infrastructure for these heavy industries. This alone may cost $35bn.

Fears that Europe, which has petrochemical over-capacity, the United States, which is the largest market, and Japan might erect trade barriers against Gulf products has already prompted warnings by Gulf Ministers.

"We are going to insist on the Western consumers accepting our product as we accept theirs," Sheikh Nazer said.

The common marketing strategy marks a new development in Gulf co-ordination. At the end of May, a meeting in Doha approved a common policy for petrochemical sales and in June Sheikh Nazer and seven other Gulf Planning Ministers agreed to regard the Arabican Peninsula as a "single economic unit" and to co-ordinate development to prevent any further wasteful duplication of industries.

Sheikh Nazer said that though Saudi Arabia would not be able to reduce its dependence on crude exports for the bulk of its income "even at the end of the fourth plan," this remained one of two principles of the third plan which had already been approved by the Cabinet.

The other principle was training Saudi manpower. Here a shortage of skilled Saudis was proving a critical obstacle to Saudi development and had led to the wholesale import of up to 2m foreign workers in the second plan.

Although Sheikh Nazer denied that foreigners outnumbered Saudis in the main cities they almost certainly outnumber Saudis in the labour force, which he said was a social problem.

Their replacement by Saudis is a "national goal for every Saudi citizen" although how this will be done is still not clear. Solutions suggested by Sheikh Nazer include increased Government pressure on the private sector to provide training and a major effort to increase the panetically low number of Government technical trainees, possibly to the extent of limiting access to university education.

WORLD TRADE NEWS

India faces cruel dilemma on imports

BY A SPECIAL CORRESPONDENT

INDIA'S programme of import substitution is being accelerated in view of the additional expenditure of over 11bn rupees (£611m) which India has to spend in importing petroleum products in the current financial year. The demand for petroleum products in 1979-80 has been officially estimated at 31.5m tonnes compared with 26.5m tonnes in the preceding year.

The country had a deficit in its foreign trade of Rs 10.1bn in 1978-79 compared with Rs 6.9bn in 1977-78. The value of exports in the last fiscal year was Rs 56.2bn against Rs 53.7bn in the preceding year and of imports Rs 67bn against Rs 60.6bn. Import substitution therefore is expected to gather greater momentum in the coming months.

A high-powered committee is now reviewing the programme and examining what measures are to be adopted for its more effective implementation. The composition of the committee reveals the emphasis that is going to be given to measures in the fields of petroleum, engineering, chemicals and allied products.

India has made considerable progress in import substitution in several areas such as feed grains, textile machinery, iron and steel, aluminium, paper and paper board and ammonium sulphate.

For instance, between 1965-66 and 1977-78, the share of imports in the total supplies of foodgrain declined from 9.7 per cent to 0.2 per cent, in textile machinery (including spares and accessories) from 37.9 per cent to 11.3 per cent, in iron and steel from 16.7 per cent to 1.1 per cent, in aluminium from 25.6 per cent to 2 per cent, in paper board from 4.5 per cent to 1.8 per cent and in ammonium sulphate from 67 per cent to 0.9 per cent.

In the field of petroleum, the Oil and Natural Gas Commission (ONGC) has intensified its efforts, both onshore and offshore, with a view to locating additional hydrocarbon reserves. Crude oil production by the ONGC in 1978-79 has been estimated at 9.6m tonnes against 7.5m tonnes in 1977-78.

However, India continues to import substantial quantities of a wide range of manufactured goods and raw materials. These include capital goods, metals (iron and steel and non-ferrous), pearls, precious and semi-precious stones, chemical elements and compounds, petroleum products, paper and board, vegetable oils, and raw cotton.

In recent years there has been a sharp increase in these imports from Rs 9.7bn in 1975-1976 to Rs 11.6bn in 1977-78. In April-September 1978 these imports amounted to Rs 5.8bn against Rs 5.1bn in the same period of 1977.

The import of vegetable oils cost as much as Rs 7.1bn in 1977-78 compared to only Rs 1bn in 1976-77. In April-September 1978 these imports were valued at Rs 3.2bn against Rs 3.3bn in the same period of 1977. Such heavy imports became necessary in view of the shortfall in the indigenous production of edible oils.

The committee is expected to make several recommendations for giving an impetus to import substitution but will they be effective?

The high rates of corporate taxation could be reduced to enable companies to generate more internal resources and carry out schemes of import substitution. The marginal rate of corporate taxation is 72 per cent for a company in which there are major public holdings, but the savings capacity of the corporate sector was eroded this year by a rise in the rate of surcharge on corporate income tax from 5 per cent to 7.5 per cent.

Industrial circles have been suggesting that the maximum rate of corporate taxation be lowered to 50 per cent. The gross fixed investment of the private sector is estimated to have declined from Rs 10bn in 1976-77 to less than Rs 9bn in 1977-78. A similar trend is also seen in the net capital formation.

In these circumstances, there is a case for rationalising the corporate tax system to give a fillip to industry to expand, diversify, modernise and achieve faster progress in import substitution. But it remains to be seen whether this proposal is likely to be accepted in view of the large loss of revenue it will cause to the central exchequer.

In the past two years, the Government has been progessively liberalising the import policy and this trend will continue in the future since India needs massive imports of machinery and materials of various kinds to implement her schemes for the development of agriculture, industry, transport, communication and power. However, liberalisation has created some problems, especially by affecting the growth of certain indigenous industries.

In spite of liberalisation, many industries have not shown an inclination to step up imports because of the high level of duties and the shortage of finance, caused by heavy rates of taxation and credit restrictions.

In 1977-78, for instance, the Union Commerce Ministry received only 96,000 applications for import licences compared to 250,000 in the preceding years. This decline is said to be due to the simplification in the licensing procedures and the elimination of the category of "established importers." Even so, the high costs of imports seem to have deterred industries from taking full advantage of liberalisation.

The committee on import substitution has been asked to submit its report by the end of 1979 so that its findings and recommendations can be considered while framing the budget and the import policy for 1980-81.

Rising oil prices have seriously disrupted India's plans to boost the economy with imported technology and equipment. Now the country is examining new ways of encouraging import substitution, but domestic industry will clearly need a boost if it is to produce substitute goods

Japan subsidies to stimulate domestic shipping industry

BY YOKO SHIBATA IN TOKYO

A GOVERNMENT programme aimed at stimulating the growth of the Japanese merchant fleet through subsidies to the nation's ship-owning concerns is being met with euthusiasm by the shipping industry.

The Japanese Ministry of Transport has announced its intention to boost budgetary outlay for the next financial year in order to meet projected ship tonnage totalling between 1.3m and 1.4m gross tons.

The Government's three-year plan for its merchant fleet foresees the building of some 3m gross tons of ocean-going vessels.

To help it achieve these objectives, it is providing subsidies on construction loans of up to 3.5 per cent for liners and liquid petroleum gas tankers, 3 per cent for tramp steamers and 2.5 per cent for tankers. Interest rate levels are the lowest ever experienced by Japanese shipowners under the Government-supported domestic shipbuilding scheme launched in 1953.

The Government says it intends to grant such subsidies for what are termed "ultra rationalised" ships — those which will operate with a crew of 18, instead of 25-30 persons operating at present. Shipowners submitting plans how to restore the Japanese fleet to a level of international competitiveness will be eligible for such subsidies.

An underlying reason for the Government's fiscal stimulus is its desire to cut back on Japanese shipping companies' use of cheap, non-Japanese crews, usually drawn from other South-East Asian countries.

This the shipping industry in Japan was able to do by ordering new ships through foreign subsidiaries or affiliated shipping companies, then chartering back foreign-flag ships with foreign crews, often employed at salaries one-third the cost of a full Japanese crew.

This has had the effect of blunting the international competitiveness of Japanese-flag vessels, which the Government now hopes will show some signs of improvement.

The current optimistic shipbuilding targets are a sharp contrast with last year, in which a total of nine ships at 301,000 gross tons were built under the Government's domestic fleet support programme.

SHIPPING REPORT

Demand for VLCCs eases

BY LYNTON McLAIN

DEMAND FOR very large crude carriers (VLCCs) in the Gulf eased last week, although there was still business for medium and large vessels.

In August the market traditionally belongs to the charterer and the beginning of the month again proved no exception.

The result is that freight rates for oil tankers are expected to fall away this week. One of the main contributory factors is the availability of over 50 very large and ultra large crude carriers, all awaiting charterers, between now and the end of the month.

Brokers expected Worldscale 50 for a 250,000-ton vessel, loading out of the Gulf in the next two weeks. This compares with the peak of almost 100 last month, when rates reached the highest point for some years.

Attention in the West Africa loading area was focused on Nigeria last week, after the Government's move to nationalise BP's interests there. BP had hoped to ship 12m tonnes of Nigerian crude this year, between 8 and 10 per cent of the company's total supplies.

The events may lead to a rise in loadings of cargoes for BP out of the Middle East and brokers felt this may eventualyl help the VLCC and ULCC market.

High rates were paid last week for up-to-date product carriers. Maraven paid $14.50 for a 30,000 ton vessel for prompt delivery. Brokers forecast that the autumn and winter months will see "very heady rates" paid for timecharter of suitable vessels.

There were 38 oil tankers used as floating storage at the start of the month, a total of almost 6.8m deadweight tons. Oil companies owned seven of the vessels, with the balance owned by independent concerns.

On thte grain market there was a fall in activity, as is usual in August. Rates fell but are expected to rise again in the middle of next month.

The larger vessels were the worst affected, with a 70,000 dwt vessel gaining $11,000 compared with a recent peak of $14,500.

In contrast, the Far East area is stable and rates for the Indian Ocean, Australia, Japan and the Pacific continued to move up.

Canada nears U.S. gas accord

BY VICTOR MACKIE IN OTTAWA

PETRO-CANADA, is close to completing an agreement to export to the U.S. 250m cubic feet a day of Arctic natural gas and an equal amount of Western Canadian gas.

Mr. Donald Wolcott, a Petro-Canada vice-president, has told the National Energy Board that Petro-Canada, the country's national oil company, expects to sign a letter of agreement in September with two U.S. companies—Southern Natural Gas, and a subsidiary the Southern Energy company.

The landmark project, the first to tap Arctic gas supplies, would in effect add nine trillion (million million) cubic feet of Arctic gas to Canada's usable reserves, Mr. Wolcott said.

He declined to say what price is being negotiated for the gas. But at the export price of C$3.50 a thousand cubic feet which is expected to apply to conventional Western Canadian gas next spring, a proposed sale would be worth C$639m a year.

The key to selling the Arctic gas it to match it with an equal volume of Western Canadian gas, Mr. Wolcott said.

The NEB was told that Petro-Canada's U.S. customers are concerned that the Arctic gas, which would be liquefied and shipped south in ice-breaking tankers, would be subject to interruptions in delivery. For the sale to be successful it is essential that there be a secure matching volume of the gas deliverable to the customers through overland pipelines.

World Economic Indicators

UNEMPLOYMENT

		July '79	June '79	May '79	July '78
UK	000s	1,278.7	1,279.6	1,306.7	1,371.2
	%	5.3	5.3	5.4	5.7
U.S.	000s	5,848.0	5,774.0	5,929.0	6,193.0
	%	5.7	5.6	5.8	6.2
Germany	000s	804.0	763.0	775.0	922.0
	%	3.5	3.3	3.4	4.0
Netherlands	000s	211.8	214.6	211.1	206.5
	%	5.1	5.1	5.1	5.1
		June '79	May '79	April '79	June '78
France	000s	1,233.0	1,258.9	1,290.6	1,039.0
	%	5.4	5.5	5.6	4.7
		May '79	April '79	March '79	May '78
Belgium	000s	285.4	289.7	294.2	276.7
	%	7.2	7.3	7.4	6.9
Japan	000s	1,110.0	1,240.0	1,350.0	1,230.0
	%	2.0	2.2	2.1	2.3
		April '79	Jan. '79	Oct. '78	April '78
Italy	000s	1,580.0	1,632.0	1,651.0	1,450.0
	%	7.8	8.1	7.5	7.2

China oil price

CHINA has set the price of its daquing type crude oil being exported to Japan during the July-September quarter at $21.80 per barrel, or 28.5 per cent above the $16.96 price agreed on in mid-April for the prior quarter, writes Richard C. Hanson in Tokyo. According to the International Oil Trading company and the Federation of Chinese Petroleum Importers, Japan will import a total of about 7m metric tonnes this year, or 3 per cent of all oil imports. The latest increase makes the Chinese oil slightly more expensive than the ninas crude oil Japan buys from Indonesia which is similar in content.

Renault to supply 1000 trucks to Andes Pact

By Terry Dodsworth in Paris

RENAULT VEHICLES Industrie (RVI), the commercial vehicles subsidiary of nationalised French Renault group, is aiming to expand its activities in Latin America with a series of industrial and commercial agreements.

Potentially the most important of these is a deal with Bolivia under which RVI would be responsible for the production of a certain range of vehicles under the terms of the Andean Pact. RVI has been selected to produce light trucks of between 6.5 and 9.5 tonnes, using a high per centage of local components for sale inside Pact countries—Bolivia, Venezuela, Columbia, Ecuador and Peru.

While negotiations are proceeding on details of the agreement, Renault has ben asked to supply 1,000 trucks over the next 18 months for local assembly. They will be put together in Bolivia by the state-owned Cofadena organisation.

In Venezuela, RVI will step up its exports of parts for locally assembled 18- to 24-seat mini-buses. In 1978, the company sold 120 vehicles to Venezuela. This will increase to 600 this year.

RVI is also trying to establish a foothold in Chile, which opened its market to foreign commercial vehicles last September. This year Renault's wholly-owned Chilean subsidiary is hoping to sell 120 heavy lorries.

S. Africa sales boost by GM

By Quentin Peel in Johannesburg

GENERAL MOTORS has announced an injection of R20m (£10.4m) in additional equity investment for its South African subsidiary in a bid to revive the company's sliding share of the South African car market.

Once one of South Africa's top two manufacturers, General Motors has slumped to sixth in the latest monthly car sales figures, with a mere 6 per cent of the market. The major purpose of the latest injection of working capital is to tool up for GM's new small car, to be launched in South Africa next February.

Lack of a small car to benefit from the latest fuel crisis has been a prime factor in GM's sales slump, down from around 9 per cent last year, and an exceptional month of almost 12 per cent of the market in April this year.

The statement by Mr. Lou Wilking, managing director of the South African subsidiary in Port Elizabeth, said the purpose of the investment was to improve the company's capital structure, following lower vehicle sales, as a result of the depressed economy.

The other significant programme to be funded was R3.9m to be spent on desegregating facilities at the GM plant, including canteens, lavatories and locker rooms, and expanding the company training centre to triple its capacity.

Earlier this year, Volkeswagen announced it was investing R35m in a new engine plant through the financial rand, but General Motors said that its latest capital injection did not represent any expansion of capacity in an industry suffering from chronic overcapacity.

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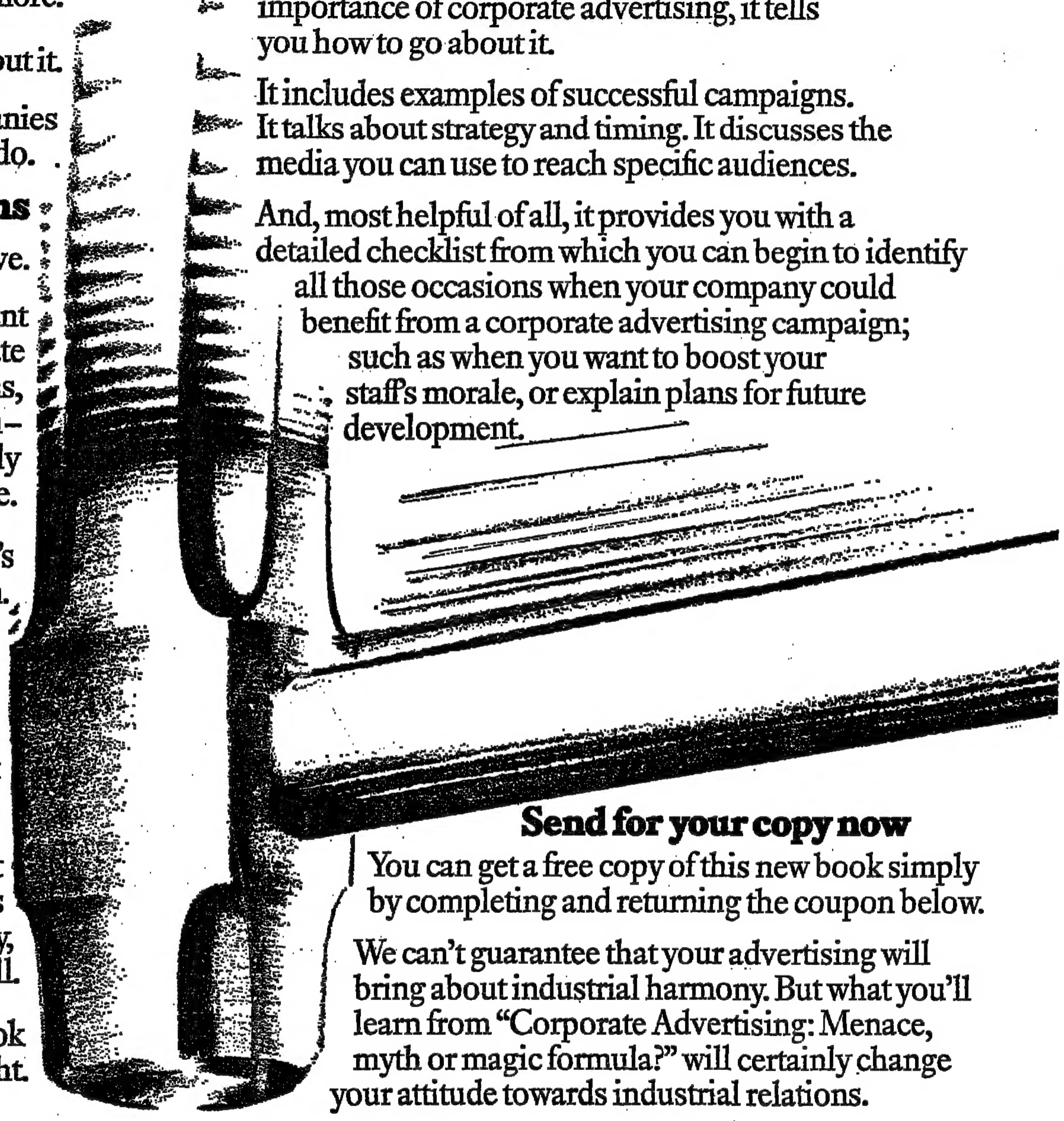

Sadly, some people still think the best way to communicate with their own workforce is to beat them over the head with facts. And nothing more.

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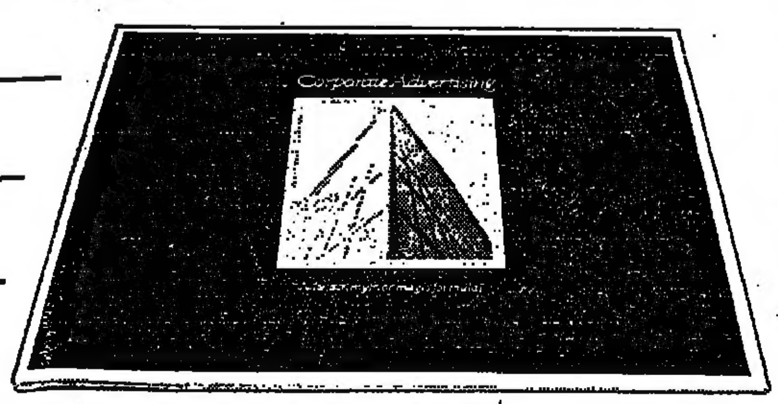

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

UK NEWS

Ford spent £15m on anti-rust treatment

By Kenneth Gooding, Motor Industry Correspondent

FORD has spent about £15m on introducing an anti-corrosion treatment at its European production plants.

The process will be used on all cars delivered in Europe from this month. Ford claims it "significantly prolongs th useful life of the bodywork."

But the group is not extending its one-year guarantee *against rusting, although other* manufacturers give guarantees lasting up to five years.

Ford maintains that its market research showed that buyers were put off by the conditions and restrictions of long anti-corrosion guarantees. "The car buyer is more concerned about having the work done properly in the first place," the company added.

In a remark aimed at organisations which offer rust-proofing services to motorists, Mr. Bob Marshall, Ford Director of Body and Electrical Engineering, said: "Our experience has shown that in-plant treatment is clearly the most efficient way to achieve maximum corrosion protection."

Ford spent several years in what it believes was the largest and most detailed field study of corrosion ever conducted in Europe.

After computer analysis of this study, Ford corrosion engineers were able to identify not only the most vulnerable areas of the car but also the most effective protection methods commercially available.

So the new treatment has been progressively integrated into the production systems of all its European car plants. The cost was £6.2m at Dagenham and Halewood in the UK.

Mr. Marshall said: "The effectiveness of the new process has been thoroughly proven in a series of accelerated corrosion tests under the severest conditions.

New import problems face British fibre industry

BY RHYS DAVID, TEXTILES CORRESPONDENT

EXPORTS OF U.S. fibre and fibre products to Europe *maintained their strong growth in* the second quarter. European groups are repeating that the industry might be approaching a further big crisis.

U.S.-based fibre groups and their chief textile customers *have found over the past year* that their products are highly competitive in Europe, mainly because of the much lower U.S. price for oil, the main fibre feedstock.

That, with the decline in U.S. sales because of reduced consumer spending and higher imports of finished products from the Far East and elsewhere, has encouraged the U.S. groups to turn to exporting. Britain, particularly since the rise in the value of sterling, is a main target.

Details of disruption by U.S. imports of fibres and fibre products were lodged in May with the European Commission by Comitextil and CIRFS textile and fibre trade associations, and their case is being fully evaluated in time for next month's Council of Ministers meeting.

Among the possible measures being canvassed by sections of the industry is the imposition *of countervailing duties on* U.S. fibre exports to offset the oil-price advantage.

Latest trade figures indicate that the pace of exports since the industry's appeal to the Commission has accelerated, *with tufted man-made fibre* carpets among the sectors worst affected. Altogether, U.S. exports last year reached 2,500 tonnes, but in the first months of this year they had exceeded 3,000 tonnes.

Carpets

Carpet yarns have also been arriving in much greater quantity this year. As a result of increased exports of carpet and carpet yarn, the market *available to traditional UK suppliers* of BCF nylon, the main tufting yarn, is estimated by one manufacturer to have fallen by a third.

Exports from the U.S. of other important fibres and fibre products, including polyester filament, acrylic and polyester cotton woven fabrics, have also risen substantially, making it very difficult for UK fibre producers to raise prices parallel with raw material increases.

Those are estimated to have *increased by as much as half* in some products as a result of oil price rises imposed by the Organisation of Petroleum Exporting Countries. In textured polyester yarn, UK prices for 76-84 Decitex quality have *fallen, however, from 215p a* kilo in the spring to about 200p.

The new American pressure on the European market has come when European groups had begun to recover after several years of severe losses as *a result of heavy textile and* clothing import penetration from the Far East and consequent over-capacity.

Steps have been taken to reduce over-capacity. Plant closures have included *Monsanto's recent halting of its* loss-making nylon operations in the UK, Luxembourg and West Germany at the cost of 2,300 jobs.

Some groups say that because of the latest deterioration in the market as a result of increased U.S. exports, progress towards eliminating losses—a combined total of more than $3bn by European fibre makers since 1975—is being reversed.

Electronics set to grow by 14%

BY JOHN LLOYD

THE EUROPEAN electronics industry will grow by 14 per cent a year over the next three years, according to a report by Gnostic Concepts, the U.S. consultants.

The report says that the UK industry's growth rate will be lower than the European average, at 12.8 per cent, but that both will exceed the U.S. rate of 10 per cent.

Growth in most important sectors — telecommunications, consumer, military and industrial electronics, electronic data processing and components—all show higher growth in Europe than in the U.S. Military electronics growth in Europe is shown at 14 per cent, almost double the U.S. rate.

Only in office equipment is the U.S. rate forecast to be higher, at 13 per cent beside a forecast European rate near 12 per cent.

The three main West European countries, West Germany, France and the UK, produce 75 per cent of all electronics. West Germany leads with 35 per cent. France has 22.8 per cent and the UK 17 per cent.

"Apart from monetary influences, the American electronics industry will also show a smaller average growth in real terms compared with Europe because of the expected economic downward trend in 1979 and 1980.

"*However, this should not* lead to an expectation to see a long-term, higher and more dynamic growth of the West European electronics industry in comparison with the U.S."

On telecommunications, the report says that European suppliers "expect a lot" from demand in developing countries. "However, they will be under increasing competitive pressure from their American and Japanese competitors."

In consumer electronics, the report says that West Germany, the most advanced market, is showing signs of saturation, while the newest product, the video recorder, is showing "hard price fights which are already burdening the profitability of the business in the development phase of the market."

European Electronics Econometric Services, 8 Roughdown Villas Road, Felden, Hemel Hempstead; Rheinstrasse 44-46, D-6100 Darmstadt, West Germany.

Gatwick set to order rapid transit railway

By Lynton McLain

GATWICK AIRPORT *is to have* one of the first rapid transit airport railways in Europe. An order for the equipment, which may be from the U.S., is expected to be announced in a few days.

Trains will run on an elevated track which will be built over the quarter mile from the main terminal to a proposed "satellite" building.

The circular satellite will replace the airport's northern pier which gives cover to passengers walking to aircraft.

Work has already started on a £3m contract for aircraft stands and taxiways around the satellite

Small companies 'spurn bank plan'

BY MICHAEL LAFFERTY

DEMAND FOR equity finance *by small companies* has not lived up to expectations, according to Midland Bank, the clearing bank group that has taken a lead in promoting finance schemes for small businesses.

Mr. Peter Nicholson, general manager responsible for Midland's Independent Business Banking Unit, admits that the most disappointing feature of the bank's experience so far is the number of small businessmen "who fight shy of parting with equity."

People seem to have difficulty in understanding that it is better to have three-quarters of a larger cake than *all of a smaller one, without* the back-up of a clearing bank.

Midland Bank is willing to make minority equity investments in companies ranging from £5,000 to £2m. So far, it is thought to have invested less than £20m in that way on probably fewer than 50 projects.

"Most investments are in the *high tens of thousands, with some running into hundreds* of thousands, and a few over £1m."

Midland entered the equity finance field about eight years ago with the intention of taking stakes in companies that would eventually become quoted.

This approach was widened to include companies likely to be sold to larger companies in the trade. In addition, Midland gradually became involved in providing extra capital for businesses where there was no expectation of a sale.

Borrowing

The latest development in the bank's approach has been willingness to buy out part of the existing owner's capital. Mr. Nicholson believes that the availability of such "money out" finance is probably "the best carrot we can hold in front of businessmen starting up today."

"It creates a mechanism for the small proprietor to realise part of his capital while continuing to run his business."

Midland executives find that small businessmen willing to consider equity finance are few. "We have to look at an awful lot of cases before we land a deal."

If anything, small businesses still seem to prefer borrowing money. Here, Midland has responded by marketing a scheme for loans with repayment terms as high as 20 years, and the option of fixed or variable interest rates.

The bank believes that the combination of that facility *with the equity finance* scheme should eventually prove attractive to many small companies.

Midland will shortly carry out another advertising campaign to advertise its equity finance scheme. It is also organising seminars throughout the UK for professional advisers such as accountants and solicitors in an effort to promote the service.

Cut in jobs bound to follow big pay deals, senior Tories warn

BY OUR LOBBY STAFF

SENIOR Conservatives warned yesterday that big wage settlements would inevitably lead to fewer jobs and a further cut in public spending.

Commenting on the *first 100* days of the Conservative Government, both Sir Geoffrey Howe, the Chancellor and Lord Thorneycroft, the chairman of the Party, made it clear that in their view the Government *had no option but to implement* the policies it was now following —even if this meant painful side effects in the short term.

Speaking on BBC radio, the Chancellor was still unable to hold out any immediate hope of a cut in minimum lending rate. He said he hoped it would come down by January, and so obviate the need for an increase in mortgage rates, but that he could not guarantee it.

Underlying all he said was the basic message that the Government had very limited room for manoeuvre and that there was very little it could sensibly do to influence either interest rates or the value of the pound.

Sir Geoffrey also repeated his determination not to get involved in a statutory wages policy. That, he said, was something everybody wanted to avoid. He warned that unless there was "responsible pay *bargaining," unemployment* would get worse at a time when job prospects were being hit by the world recession.

The same message of gloomy reality was delivered by Lord Thorneycroft in his "end of term report" to constituency workers. Taking up a theme made in last month's party political broadcast, he warned that if Britain did not face the facts, the country faced a "miserable and declining future." If the cost of public services was forced still higher by substantial wage increases, then the necessary balance could only be held by cutting more.

The party, he said, had no need to feel defensive whatever the opinion polls might show about its standing. The job of local workers was to "remain rock steady in support of the Government no matter what the polls may say or what the criticism."

Stockbrokers forecast living standards

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BRITAIN faces "the very real prospect of an absolute decline in living standards" once North Sea oil production levels off in the mid-1980s, according to a gloomy new medium-term analysis from City stockbrokers Phillips and Drew.

The brokers argue that unless the Government's policy of trying to change past economic behaviour patterns (through extra incentives and public spending cuts) succeeds, the UK in the mid-1980s could suffer from more than 2m unemployed, a current account deficit, a weak exchange rate and the prospect of absolute decline.

"The depressing probability is that the long-term decay of the UK's manufacturing base has now gone so far that the alternatives to the present policy are rapidly narrowing to only one—generalised import controls in some form or other."

Treasury view

The Phillips and Drew estimates and conclusions are broadly similar to those of the Treasury's own medium-term *assessment. The pessimism of* the official analysis has been reflected in recent speeches by senior economic Ministers, especially when they have been arguing the need for continued tight curbs on public spending.

A version of the Treasury's gloomy medium-term projections is likely to be included in the autumn White Paper on public expenditure. There are also likely to be a series of *Ministerial speeches during the* next few months warning that tough action is needed now to change past trends otherwise the prospects will be dramatically worse.

Phillips and Drew says its medium-term analysis only highlights the magnitude of the Government's task. But there is "no evidence on which to base a more favourable objective assessment than one of hope."

The brokers project an average rate of growth of total output, as measured by real Gross Domestic Product, of less than 1½ per cent a year in 1979-83 compared with an average of 1¾ per cent. This is in spite of the substantial build-up of North Sea oil output over the next few years.

The result is that the average annual rate of adult unemployment is likely to be 1¼m over the period compared with roughly 1m in the last decade. However, during the period the total is projected to rise from *just under 1.3m at present to* 2.2m in the second half of 1983.

The current account of the balance of payments is expected to fluctuate between small surplus and small deficit.

The UK will be particularly constrained, on this view, by a slower growth of world trade than the 7½ per cent average rate of the 1960s and early 1970s and by greater penetration of domestic markets, particularly for manufactured goods, by imports.

Brokers Kemp-Gee and Co. argue in a new review that "the very elements of the current policy mix which spell possible *disaster for companies spell* a substantial improvement in the gilt market over the next year. A sharp recession reinforced by deflationary fiscal and monetary policies will lead to a major slowdown in monetary growth and Minimum Lending Rate (now 14 per cent) moving well into single figures by next summer."

Brokers Capel-Cure Myers argue that the performance of *bank lending is likely* to be the first financial indicator to show that the Government's monetary policies are working and that the recession is under way. The brokers say that bull market in gilt-edged stock has further to go and any immediate weakness should be seen as a buying opportunity.

Villages fight power project

KENT VILLAGERS are to *fight* a plan to build a £260m electricity converter the size of *Canterbury Cathedral.*

People living in Sellindge, Aldington, Smeeth and Brabourne will add an extra 4p on their rates to finance the battle at a forthcoming public inquiry. They want the converter sited at Dungeness.

Private steel rises resisted

BY JOHN LLOYD

BRITISH steel consumers are showing resistance to price increases announced by *private sector steelmakers,* and may switch to imports from other European countries. These have fallen in price partly due to the stronger pound.

The private sector mills will raise prices in a wide range of products by 5 to 6 per cent from August 12. The British Steel Corporation has not yet followed suit, but many expect it to do so shortly. BSC said last week that it had no plans at present to raise prices.

Figures produced by the British Iron and Steel Consumers Council show that in some major products, the price difference between British and EEC guidance prices is as high *as 25 per cent.*

EEC guidance prices were adjusted in June last year, and are expected to be adjusted again next month.

Since last June, sterling has appreciated by between 10 and *11 per cent against the European* Unit of Account, so that *actual differentials* may be as high as 35 per cent.

Equilibrium

Some consumers, who are concerned by the loss of competition over European rivals, have reportedly refused to pay the extra five or six per cent on orders from private mills for after August 12. They say that if they were forced to pay, they would switch orders elsewhere.

Imports of certain products are high, but in others, there is considerable scope for further penetration. Merchant bar, for example, one of the main products, is now between 20 and 30 per cent more expensive in the UK than on the Continent, but imports only amount to about 15 per cent of the total used.

The British Independent Steel Producers Association believes that consumers' resistance will soon die out, and that a rise in EEC guidance prices will restore equilibrium to the market.

The association claims that the prices of products from most EEC steel producers are already climbing nearer to UK levels and are generally above the guidance prices.

Some "marginal tonnage" was available from countries such as Spain and Brazil at low prices, but this was not a significant part of the market.

North Mymms contents sale may top £1.2m

Financial Times Reporter

MORE THAN £1.2m may be raised by a four-day sale of the contents of North Mymms Park, near Hatfield, Hertfordshire, by Christies. The sale includes a group of early 17th-century Brussels tapestries and a 200-piece Meissen *dinner* service.

The house is the home of Major-General Sir George Burns, a great-nephew of J. Pierpont Morgan, the American banker, with whose help the collection was built up. His sister, May Lyman Morgan, married Mr. Walter Hayes Burns, who ran the Morgan bank branch in Paris.

Mrs. Burns and her brother were determined collectors and the North Mymms collection expanded rapidly, thanks to their joint efforts, after Mr. Burns died in 1897.

Christies seems confident that the sale proceeds will top its 34-year house *sale record* of £1.2m.

CONTRACTS AND TENDERS

Building industry short of skilled workers

BY ELAINE WILLIAMS

A GROWING shortage in the availability of skilled labour for the construction industry is shown in a survey from the National Federation of Building Trades Employers.

More than half the 600 members who took part in the survey reported that bricklayers were scarce.

But the Federation said it was a little early to read too drastic a message from the survey. The shortage may partially be caused by the damage to programmes following the severe winter, resulting in increased building activity now.

The survey also showed that demand and workload levels in the construction industry remain high, despite concern over public spending cuts and a forecast of recession in the private sector.

The Federation says that although the momentum of the *last 18 months* is being maintained, there are indications of a contraction in inquiries later this year.

Mrs. MacDonald to fight for SNP policy post

BY RAY PERMAN, SCOTTISH CORRESPONDENT

*A NEW contest for the leader*ship of the Scottish National Party is likely at its annual conference next month after a last-minute decision by Mrs. Margo MacDonald to stand for re-election for the key post of senior vice-chairman.

Mrs. MacDonald, one of Scotland's best known political figures and a moderate, resigned her Parliamentary candidature in Hamilton before the last general election and has devoted herself to her full-time job as organiser of Shelter, the campaign for the homeless.

The senior vice-chairman has a strong influence over policy in the SNP as chairman of the strategy committee. Had Mrs. MacDonald not stood, the post would almost certainly have gone to Mr. Douglas Henderson, *the former MP for Aberdeenshire East.*

However, moderates persuaded Mrs. MacDonald that if Mr. Henderson won the post, the party would be branded as swinging to the Right and turning to a narrow independence-or-bust policy that would damage it further, particularly in next May's district council elections.

Mrs. MacDonald overwhelmingly defeated Mr. Henderson two years ago.

The chairmanship of the party is almost certain to go to Mr. Gordon Wilson, MP for Dundee East.

Mr. Wilson believes passionately in independence for Scotland and that local government elections and devolution are undesirable distractions.

Interest rate cartel 'harmful'

BY MICHAEL CASSELL

THE BUILDING society interest rate cartel, "which has created unnecessary and harmful surpluses and shortages of mortgage funds," should be scrapped, according to a study conducted by the Institute of Economic Affairs.

A paper, published today by the Institute, questions the building societies' assumption that the non-mandatory system of recommended interest rates adopted by the movement leads to lower interest rates generally and says that societies' rates can be significantly above those in the market, even if only for *a short period.*

The study, carried out by two lecturers in economics at the University of Wales Institute of Science and Technology, nevertheless admits that mortgage rates initially would rise if the cartel was ended but claims that competition would increase efficiency and ultimately reduce costs.

It suggests that interest rates would rise to a point where the demand for home loans came into balance with supply, ending "the present chronic excess demand." Rationing of mortgage funds would then, it claims, be by price rather than other expedients used to cope with high demand, such as savings qualifications.

The paper adds: "The rise in rates would make borrowing *more expensive but would expand* the funds available for lending to house buyers. In many circumstances, borrowers are more concerned with the supply of funds than with their cost."

According to the report, the rise in rates would not affect mortgages and investors' shares equally. Highly efficient societies with low expenses would be able to offer substantially more to the saver without a large rise in the borrowing rate, creating a situation in which interest rates would rise to market levels but vary considerably between societies.

The institute says that, while there is a strong argument for more competition in building society interest rates, the ending of the cartel would stop wasteful "non-price" competition in matters like advertising and branch office expansion.

The Building Society Price Cartel IEA, Hobart Paper No. 83: £1.20, 2, Lord North Street, London, SW1.

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General printers accept pay deal

BY OUR LABOUR STAFF

MORE THAN 20,000 workers in general printing have accepted a new pay and re-classification agreement.

The printers, members of the National Graphical Association, voted five to one in a ballot to accept the offer from the British Printing Industries Federation. The deal is backdated to June 25.

The agreement, which incorporates changes in printing machine classifications, includes an extra £3 to £9 a week on the special allowance for 7,000 workers in photocomposition. The allowance will be re-negotiated annually.

About 15,000 machine managers will receive varying increases, depending on the nature of the equipment. At the higher end, the union said that the rises would be "substantial."

Mr. Tony Dubbins, the union's assistant general secretary, said that the settlement ended 18 months of negotiation in which workers had blacked some machinery.

The new settlement absorbs some interim payments for work on certain types of equipment.

New wages councils to be set up

By Our Labour Staff

TWO NEW wages councils are being set up to replace the nine existing wages councils.

The Retail Trades (Food and Allied Trades) Wages Council will determine minimum pay and conditions for 500,000 workers and the Retail Trades (Non-Food) Wages Council will cover about 650,000.

Orders establishing the councils have been made by Mr. James Prior, Employment Secretary, and take effect from the beginning of next month.

A merger was first recommended by the Commission on Industrial Relations in 1974. It was followed by a report by the Advisory, Conciliation and Arbitration Service giving broad support to the proposals.

The nine existing wages councils were set up between 1947 and 1953.

Close vote expected on telephone staff pay offer

BY NICK GARNETT, LABOUR STAFF

BRANCH VOTING by 6,000 Post Office telecommunications members of the Society of Civil and Public Servants on a pay and regrading offer has so far been very close.

A slight majority of meetings are thought to have been in favour of acceptance, but this has probably not been reflected in total votes. By the end of last week, voting was thought to be narrowly in favour of rejection.

The union's executive council meets today when all outstanding votes will be known, to discuss the position.

The council may decide not to make any formal decision on the offer until the outcome of the vote by 37,000 members of the Civil and Public Services' Association on a similar deal. That may not be until the beginning of next week.

In the meantime, selective strike action, which has held up the issue of 17m computer-processed telephone bills since April and delayed more than £800m in revenue, is being continued.

The offers to the two unions provide basic rate increases of 9 per cent, with 5-7 per cent for grade restructuring, 2 per cent for productivity and 2¼ per cent for changing the settlement date.

The Union of Post Office Workers appears to be making some headway in separate pay and productivity negotiations with the Post Office.

Optimism

The union agreed an interim pay deal worth about 10 per cent earlier this year. Last month, the Post Office also agreed to consolidate all outstanding pay supplements — worth a further 5 per cent on the overall wages bill—to the union's 200,000 members.

Mr. Norman Stagg, assistant general secretary, said yesterday that the union's 50,000 telecommunications members had now had an offer in line with that accepted by the Post Office Engineering Union. That union's deal is based on similar figures to the offers made to the Society and the CPSA.

The overall package is still not acceptable to the postal workers' negotiators, but there is some optimism that the basis for a settlement may be agreed shortly.

Management has also put forward various pay and productivity proposals to the union's 150,000 postal members. These negotiations are much more difficult, and the two sides are thought to be quite far apart, particularly on the productivity issue.

Management is seeking agreement on a number of issues, including work measurement and improvements in diverting mail from one office to another.

Customs officers' cuts protest causes only slight delays

BY OUR LABOUR STAFF

INDUSTRIAL ACTION by custom officers throughout Britain appeared to have led to few delays at most air and seaports over the weekend.

Heathrow said there was some queuing yesterday but this was to be expected on one of the year's busiest holiday weekends and had not been caused by the work to rule in protest at staff cuts.

There were some delays for up to 90 minutes because of "severe congestion" over Europe and the Middle East.

Aircraft flying into Heathrow to take our flights again were being caught up in the congestion and this was the main reason for outbound delays.

Customs officers "working to standard" at the airport uncovered a massive haul of cannabis in a bunch of bananas yesterday.

A woman is due to appear at Uxbridge magistrates' court today.

The dispute by 500 customs officers is part of a fortnight's official action by the Society of Civil and Public Servants in protest against Government plans to cut customs staff by 1,800 this year and a further 6,000 next year.

The action is being carried out at all ports and airports. Only one man was on duty at the long haul green channel, which left passengers free to pour into Britain at a rate of 4,000 an hour unchallenged.

Mr. Geoff Eteso, the Society of Public and Civil Servants' national officer, said: "Smugglers are walking straight through with no one to stop them. We need more staff to cope and not less as the Government plans."

After 500 angry travellers stormed through Customs at the East Midlands airport, near Derby, a truce was declared yesterday and arrivals waited patiently for up to an hour. British Midland Airways said: "The passengers seem to have made their point and today they queued for between 45 minutes and one hour waiting to go through Customs.

"Arrivals from Spain, Jersey and Palma found things a bit slow but there was no repetition of their protest demonstration."

On Saturday, about 500 people, returning from Mediterranean resorts and tired with crying children, stormed through Customs barriers leaving Customs officers powerless.

One of the passengers from Majorca, said: "The customs men were handling every article and examining everything.

"People just took the matter into their own hands, got their trolleys and charged through the Customs. It was a wonderful sight. People were very angry."

Open-cast mining workers set to strike over pay and rights

BY NICK GARNETT, LABOUR STAFF

CIVIL ENGINEERING workers involved in open-cast coal mining are due to strike on Wednesday in a dispute over pay and negotiating rights with contracting companies.

Further industrial action, including the possibility of a damaging overtime ban is also threatened.

The 8,000 workforce, most of them members of the Transport and General Workers' Union, work for civil engineering companies and specialist open-cast contractors on sites operated by the National Coal Board.

Industrial action reflects dissatisfaction with a recent pay settlement and a general feeling among many of the workforce that they should have a separate negotiating agreement.

Lucrative

At present, general pay rates are fixed by the national building and civil engineering settlement although there are further separate negotiations with the open-cast contractors on top of this.

This year's separate negotiations have so far failed to provide improvements acceptable to the open-cast workers.

Open-cast operations have proved financially lucrative to the contractors and the open cast workforce believes pay rates in the general building and civil engineering agreement did not reflect this.

Present earnings can be more than £200 a week including bonuses for open-cast machine operators.

Many open-cast workers are highly skilled, using expensive and complicated machinery and tend to stay in open-cast work rather than move back into general construction. This has helped to foster some form of separate identity.

Mr. George Henderson, the Transport Workers national construction secretary, said yesterday that the union was behind the workforce in seeking higher pay rates and improved conditions.

There would be no support from the union leadership, however, to any demands for separate negotiating rights, said Mr. Henderson.

Shotton workers demand inquiry into steel industry

WORKERS AT the Shotton steel plant, North Wales, where iron and steel making is being shut down, called yesterday for an independent inquiry into the running of the steel industry.

The works' action committee says that it has proof that the British Steel Corporation produced deliberately misleading figures in 1974 when it first put to the Government evidence to support plans to close steelmaking at Shotton.

The committee is asking the Government to order an immediate, independent inquiry into the full financial and technical implications of the corporation's plans for the industry.

Closure

"We want to be quite certain that the major decisions now being made by the corporation with the authority of the Government—such as that which affects Shotton—are based on 100 per cent accurate costings, said Mr. Monty Hughes, committee chairman. "Furthermore we want the Government to fully appreciate the dire consequences of those decisions on the industry and particularly on steelmaking areas."

More than 6,000 jobs will be lost with the closure of steelmaking at Shotton.

Mr. Hughes said: "Shotton simply cannot accept that it is in the best interests of the corporation or the nation to close the major part of a works which not so very long ago was consistently in profit, has a loyal workforce with one of the best industrial relations records in British industry, has never failed to meet its production targets, and enjoys the esteem and goodwill of thousands of customers both home and abroad."

COMPANY NOTICES

MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA (CANADA)

C$25,000,000 9¼% Notes Due 1982

Pursuant to the terms and conditions of the Notes, notice is hereby given to Noteholders that, during the six months period ending June 30th, 1979, C$1,000,000 of such Notes were purchased.

Outstanding amount: C$22,400,000

KREDIETBANK S.A.
Luxembourgeoise,
The principal paying agent.

Luxembourg, July 25th, 1979.

ROBECO

ROTTERDAMSCH BELEGGINGSCONSORTIUM N.V.

ROBECO N.V. announce that Warrants for Bearer Shares of Fls 50 each which were issued prior to 29 April, 1979, may be exchanged for new Share Warrants, with Coupons Nos. 77/128 and Talon attached, on or after 8 August, 1979.

Warrants, cum Talon only, may be presented by Authorised Depositaries to the Company's Exchange Agent in the United Kingdom:—
National Westminster Bank Limited,
Stock Office Services,
5th Floor, Drapers Gardens,
12, Throgmorton Avenue,
London, E.C.2
from whom listing forms showing full requirements may be obtained.

The new Share Warrants, which will not bear the same numbers as those lodged for exchange, will be available in denominations of 1, 2, 20, 200, 2,000 and 20,000 shares.

To expedite the delivery of the new certificates it will be mutually beneficial if Authorised Depositaries claim their complete entitlement in one or two applications.

Certificates for Sub-shares of Fls 5 are not affected by this exchange.
DATE: 6 August, 1979.

REED INTERNATIONAL LIMITED
(Reed Paper Group Limited)
6¼% 1968/1983 UA.12,000,000 LOAN

Bondholders are informed that Reed International Limited will prepay on October 15, 1979, in accordance with the terms and conditions of the above loan, the amount unamortised (ie. UA 4,000,000) at 102%. This year's unamortisation of UA 1,000,000 will be drawn by lot and redeemed at par.

Luxembourg,
July 31, 1979.

The Trustee
KREDIETBANK
S.A. LUXEMBOURGEOISE

TENDERS FOR GREATER LONDON BILLS

1. The Greater London Council hereby give notice that Tenders will be received at the Chief Accountant's Office (Bank Buildings), Bank of England, London, EC2R 8EU, on Monday, 13th August, at 12 noon for Greater London Bills to be issued in conformity with the Greater London Council (General Powers) Act, 1967, to the amount of £35,000,000
2. The Bills will be in amounts of £5,000, £10,000, £25,000, £50,000, £100,000 or £250,000. They will be dated Thursday, 16th August, 1979, and will be due 91 days after date, without days of grace
3. Each Tender must be for an amount not less than £25,000, and must specify the net amount per cent (being a multiple of one new halfpenny) which will be given for the amount applied for
4. Tenders must be made through a London Banker, Discount House or Broker.
5. The Bills will be issued and paid at the Bank of England.
6. Notification will be sent by post, on the same day as Tenders are received, to the persons whose Tenders are accepted in whole or in part and payment in full of the amounts due in respect of such accepted Tenders must be made to the Bank of England, by means of cash or by draft or cheque drawn on the Bank of England not later than 1.30 p.m. on Thursday, 16th August, 1979.
7. Tenders must be made on the printed forms which may be obtained either from the Bank of England, or from the Council's Offices at The County Hall
8. The Greater London Council reserve the right of rejecting any Tenders.

M. F. STONEFROST,
Comptroller of Financial Services.
The County Hall
London SE1 7PE.
6th August, 1979.

BEARER DEPOSITARY RECEIPTS REPRESENTING COMMON STOCK OF ASAHI CHEMICAL INDUSTRY LTD.

A distribution of $0.4637 per depositary share less any applicable taxes will be payable on and after July 30, 1979, upon presentation of coupon No. 10 at the offices of any of the following depositaries.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
—NEW YORK: 30, West Broadway
—BRUSSELS: 35, Avenue des Arts
ANTWERPN 83, Frankrijklei
—LONDON, 33, Lombard Street
—PARIS: 14, Place Vendôme
—FRANKFURT 8, Bockenheimer, Landstrasse
BANCA VONWILLA SpA: Via Armorai 14, MILAN
BANK MEES & HOPE: Herengracht 548, AMSTERDAM
BANQUE GENERALE DU LUXEMBOURG: Rue Aldringen 14, LUXEMBOURG.

Net payable rate: $0.394 after deduction of 15% Japanese withholding tax.

THE "SHELL" TRANSPORT AND TRADING COMPANY, LIMITED
1979 CAPITALISATION ISSUE
NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER

The "Shell" Transport and Trading Company, Limited announce that further to the notice of 9th July, 1979, the period for the deposit of Coupon No. 159 on behalf of holders of Share Warrants to Bearer has been extended to 31st August, 1979.

Coupons must be lodged through a Banker or other Agent who is an authorised depositary within the meaning of the Exchange Control Act, 1947 or by an Approved Agent in the Republic of Ireland.

Share certificates will be issued in definitive form.

If Coupon No 159 is not so deposited by 31st August, 1979 at Lloyds Bank Limited 39 Threadneedle Street, London E.C.2, together with duly completed Application and Listing Forms, the new shares to which the holder of a warrant would have been entitled will be sold and the holder of such warrant, on subsequently depositing Coupon No. 159 and completing such forms as may be required will be entitled to receive the net proceeds of sale.

By Order of the Board,
G. J. CHELL, Secretary.
Shell Centre,
London, S.E.1.
6th August, 1979.

DIAMONDS FOR INVESTMENT

Diamonds Selection Limited offer loose-cut and polished diamonds as one of the finest and safest alternative investments. The following is a cross section of prices from their recommended range as at 1st August, 1979.

DSL Grade	Price in $ per Carat
80/4/165	21124
100/8 150	17429
140/10/140	16584
180/15/130	14009
300/20/120	12302
400/30/110	10482
475/50 101	9578
800/70/90	5766
1200/140/80	4312
1700/180 70	3349
2200 275/60	2370
2700/800/50	1367

Note: Diamonds in the range we recommend for investment have appreciated an average of 650 per cent since 1st July 1969

DSL grade is made up as follows:—
Colour/Clarity Carat
e.g. 120 4 156

Make is always good/very good.

All stones are graded certified and identiprinted in DGL laboratories using the finest measuring equipment and techniques.

Regular seminars and teach-ins.

Brochure with procedure for buying and selling graded and certified diamonds is available from

DIAMOND SELECTION LIMITED
Petersham House, 57a Hatton Garden,
London EC1N 8JD. Tel. 01-405 8045

Building and Civil Engineering

Over £4m contracts for Laing

CONTRACTS JUST received by John Laing Construction are worth over £4m, and include a £2.4m project for Manchester City Council for transformation of nearly 500 pre-war dwellings.

This covers modernisation of 231 houses and 44 flats at Barlow Moor and 208 houses and 12 flats at Lawton Moor. Majority of dwellings are occupied — flat dwellers will be temporarily re-housed by the council, but the house dwellers, except in the cases of possible hardship, will remain in residence while the renovations are carried out.

Two schemes are involved in the council's programme of modernisation and work includes removing fireplaces, renewing sanitary fittings, modernising electrics, installing central heat*ing, fitting new kitchens, carry*ing out general repairs, and complete redecoration.

Two other contracts, totalling £1m, are for improvements to be carried out to the existing Thames river wall (£700,000) for Southern Water Authority, and underground heating mains to be renewed under a £300,000 contract awarded by the London Borough of Southwark.

Final works to complete a new hospital in North Wales are to be carried out under a contract for £700,000, awarded by the Welsh Health Technical Services *Organisation at Ysbyty Glan* Clwyd. Work at the District General Hospital in Rhyl involves finishings to operating theatres, pathology, dental X-ray, renal dialysis units and construction of a sterile products and radio pharmacy department in a hospital shell recently completed by another contractor.

Projects in East Africa

TWO CONTRACTS in East Africa, worth together £8¼m, have been awarded to Mowlem.

The largest is a £6.5m project in north east Kenya where work has just started for the Ministry of Works on the reconstruction of 44 miles of highway between Meru and Maua. The road will be single carriageway and completion is due in mid-1981. Consulting engineers are East African Engineering Consultants.

The second contract, valued at £1.75m has been awarded by the Tanzanian National Development Corporation for the preparation of a site for a pulp and paper mill at Mufindi in the south west of the country. The company is to cary out general excavation, site levelling, ground compaction and road building.

Consulting engineers are Sandwell and Co. of Canada.

£9m awards to Wimpey

MAJOR MANAGEMENT contract for the construction of manufacturing and office facilities for Digital Equipment at Basingstoke Road, Reading, Berks., at a total value of £9m has been won by Wimpey Construction (UK).

Work has already started and completion is due in January 1981.

The office and manufacturing building will be a single storey structure of about 12,000 square metres linked by a pedestrian "street" to a two-storey structure of around 13,000 square metres.

Structure, in steel frame, is in the form of intersecting grids forming square bays surmounted by square based pyramids, says Wimpey.

Roof and external elevations are to be clad with a proprietary steel sandwich cladding with roof lights at the peak of each pyramid.

The building will be fully air-conditioned, and the contract will also include associated roads and external works.

Mixed bag of orders

ROADWORKS, SEWERS, pipelines and regrading a colliery tip add up to £2.75m worth of work awarded to Reed and Mallik.

In Scotland, two contracts for Grampian Regional Council in Aberdeen are a sewer renewal worth £179,000, and the reconstruction of 380 metres of carriageway, footpaths and provision of main foul drainage to replace an existing system at a cost of £351,000.

In the west of Scotland the company is working on the Fas*line 2,941 metre* ductile iron water supply line for Strathclyde regional council.

Work has started on a £¼m project on the Little Bramingham Farm housing estate at Nottingham.

Civil engineering work at RAF Cardington for British Oxygen *is worth* another £165,000.

The company's recently acquired subsidiary, Alun Griffiths (Contractors) has over £1¼m of new work including a £755,000 surfacing sub-contract *on the Brecon by-pass. Other* jobs include repaving a carriageway (£755,000), installing surface water drainage (£190,000), land reclamation (£72,000) and £310,000 on the trunk gas main from Rhiwderin to Cefnon for Nacap.

Further work in Wales valued at £341,000, is the regrading of 23,500 cubic metres of tip material and other works at South Celynen Colliery for the National Coal Board.

IN BRIEF

- Contracts, totalling £1.9m, awarded to Ernest Ireland Construction (Mowlem Group), include an office block in Bridgewater, Somerset, an extension to Harveys of Bristol, an office conversion in Bristol, an extension to a Cheshire home at Timsbury and an *annexe for a country hotel* near Bath.
- English Industrial Estates Corporation says work has started on an advance factory of 450 square metres for the Development Commission at Earby, North East Lancs., under a contract worth about £131,000 awarded to B. B. Kirk (Construction).
- Ove Arup and Partners has opened an office today in Aberdeen at 35, Back Wynd (0224 54796) which has been established primarily to serve the needs of the north-east of Scotland.

More work at Port Sudan

LIVESEY AND HENDERSON, consulting engineers, near Guildford, Surrey, has been instructed by the Sudan Sea Ports Corporation to continue with detailed designs and preparation of contract documents for Phase 2 of the Port Sudan development programme.

This work is to follow on from the long-term development study and Phase I Development engineering carried out over the past four years and now completed.

The latest work includes *extensions* to Berths 16, 17 and 18, reconstruction of Berths 12 and 13, and associated dredging and surfacing of land areas behind the berths.

Also included is the design of an oil berth which may later be converted to provide an additional grain export facility.

A new Sea Ports Corporation headquarters office block, comprising offices, board and committee rooms, lecture theatres and canteens, is to be designed.

£2½m office development

COMMERCIAL UNION PROPERTIES has commenced construction work on its 51,000 sq ft office development in the centre of Swindon, at a cost of £2.5m.

Site covers some two-thirds of an acre and is located in Station Road immediately opposite the main line station and adjoining a new office development being undertaken by Hambro Life.

Main contractor is Sir Robert McAlpine, working to a design by architect Alec French Partnership.

Construction work is planned for completion in September, 1980 and the new development will then offer very high quality office accommodation attracting, says CUP, a single tenant of multi-national status.

Refurbishment by Wates

PRIVATE AND public sector jobs awarded to Wates Special Works total over £1.3m.

Refurbishment of the second floor of Oxford Street's Evelyn House has started at a cost of £300,000 for the London and Manchester Assurance Company.

On the Hillview Estate, WC1, London Borough of Camden is to spend almost £1m on the conversion of 60 dwellings in Tonbridge House to form 50 *modern maisonettes and flats.*

Feature of this scheme is the provision of flats for the disabled and work also includes new joinery, new kitchens and bathrooms, roof insulation and district heating.

Cold store in Swindon

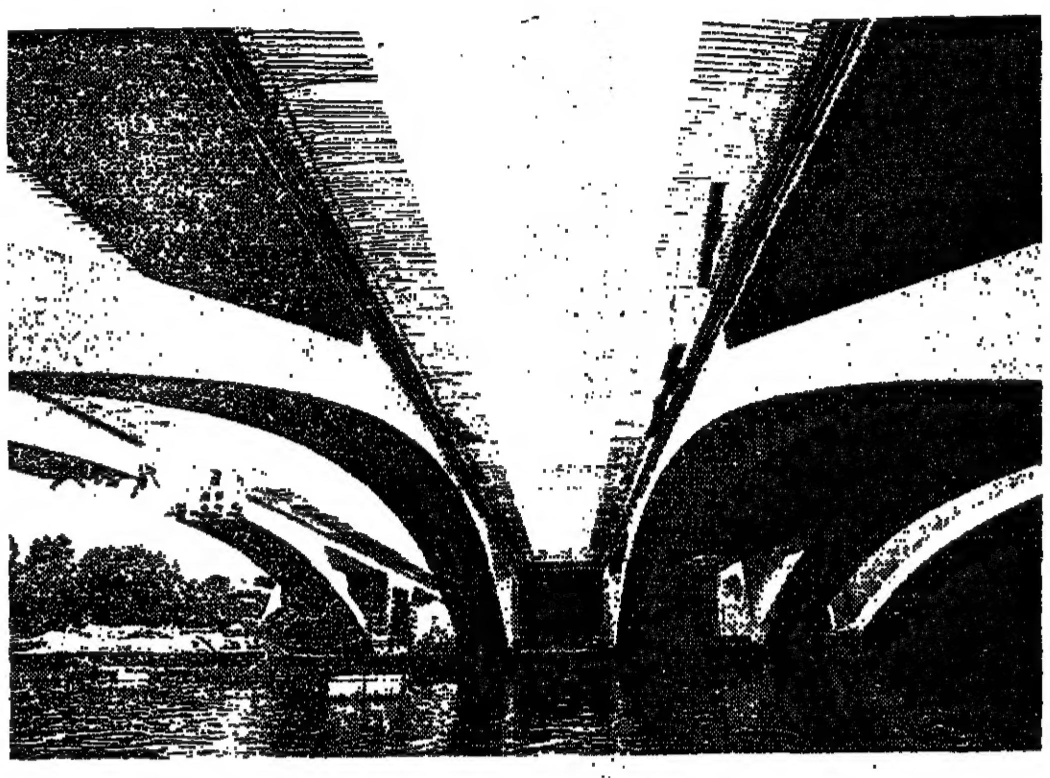
WORK IS just about to begin on a cold store at Swindon for Tempco *Severnside at a cost (for* the first phase) of about £1.5m.

Enjoying a position so near to the M4—a few hundred yards from Junction 16 on the A420—it will aim to meet the increasing demand for cold storage in the area, particularly from the dairy industry which has greatly increased in the UK in the last two or three years.

Factories in Plymouth

COSTAIN Construction has been awarded a contract worth over £500,000 to construct 13 factory units at Belliver, Plymouth for *the Council of the City of* Plymouth.

The units which will vary in size from 22 to 6.5 metres to 21.5 by 30 metres will be of steel frame construction on concrete bases with brick cladding to a height of 2.5 metres and pvc metal cladding above. Each unit will have office accommodation and gas heating. Work has begun and is due for completion in April 1980.



Construction of the new prestressed white concrete Runnymede Bridge over the Thames is nearing completion. When completed, the 125 metres long bridge will carry southbound *traffic on the A30 trunk road and M25* London orbital motorway while the existing bridge, designed by Sir Edwin Lutyens will carry northbound traffic. Each bridge has a curved river span of 63 metres. The new bridge will have four prestressed concrete truss frames with an in situ reinforced concrete deck. The truss frames were cast in halves clear of the river on either bank and *this picture shows the final frame almost in* position over the river. Consulting engineers are Ove Arup and Partners and the consulting architects are Arup Associates. Main contractor is Fairclough Civil Engineering.

Offshore structures conference

CIVIL and marine engineers will be vitally interested in the Second International Conference on Offshore Structures —BOSS 79—to be run by BHRA Fluid Engineering at Imperial College in London from August 28 to 31.

Support for this important event is coming from Delft *University of Technology,* MIT, Norwegian Institute of Technology and the University of London.

The opening address is to be presented by Professor James Lighthill of Cambridge Univer*sity and he will deal with* a particularly important problem —waves and hydrodynamic loading—having regard to the fact that "exceptional" waves in the North Sea, of 100 feet in height, have been occurring *far more frequently* than non-Naval types would have believed.

Although it is possible to build computer models of proposed designs of drill and production platforms and subject *them to the most rigorous simu*lated testing, there is still room for improvements in estimation techniques and these will be suggested by the professor.

From Wimpey comes a call *for technologists* to meet the *severe challenge* of designing safe and efficient offsea structures to a reasonable time scale. In the company's opinion, there is a need for more of the nation's talent to "get closer to the action."

An *important paper on con*crete oil storage structures deals with the problems created by periodic filling with hot crude, followed by emptying and purging with cold seawater.

Authors from the Health and *Safety Executive of the UK as* well as King's College, London, contributed to this paper which closely examines the stresses that can be expected in such storage systems, with special attention to conditions in which *stressing can reach undesirable* states.

Foundation problems in the North Sea are particularly important, having regard to the fact that in many areas, the sea bottom is made up from little *more than many tens of feet of* "toothpaste." From the Norwegian Institute of Technology comes a paper on the design of the Statfjord A platform and its behaviour under storm and creep effects.

Germane to this study is one devoted to underwater pile-driving, which goes back over engineering experience to the first offshore pile driven under water in the Gulf of Mexico in 1974. It is contributed by the HBG organisation of the Netherlands.

From a UK group comes the observation that, during offshore construction in concrete, it has so far been assumed through existing building codes, that loads act in a single direction and fatigue is not a problem.

Neither of these assumptions is true in offshore structure work, the authors observe, setting out a series of axioms relating specifically to design in *North Sea conditions* which could save future designers and their employers many millions of pounds in building costs.

These are necessarily only a few of the many significant papers to be presented and dis*cussed at the Imperial College* venue, which must be of interest to most civil engineers and the contractors involved in offshore operations.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● POWER

Compact motor drive

ADVANTAGE has been taken by Small Electric Motors of the relatively small size of the permanent magnet dc motor, which together with pulse width modulation of the armature current produces a particularly con*venient and compact drive* system.

The permanent magnet dc motor is intrinsically of smaller diameter for the same output since the field windings are replaced by compact anisotropic ceramic magnets. Also no heat is generated by the field coils, giving a cooler and more efficient machine.

Pulse modulation for power input control has the advantage *that the form factor of the wave*form supplied is very low (the figures are: 1.0 for dc, 1.3 to 1.6 for thyristor controllers and 1.05 for *the* SEM pulse width modulator).

Torque produced is proportional to the average current in the armature while the heating effect (which ultimately limits the continuous output from a motor) is proportional to the rms value of the current waveform squared. As the ripple increases so does the form factor so that, for the same heating effect the average current and hence the torque and horsepower will be reduced.

Thus, the motor has to be *derated as the form factor* increases. A form factor of 1.05 and the compactness of a permanent magnet machine means that the motors *supplied* by SEM with their systems are typically around half the volume *of their field wound thyristor* controller equivalents.

In addition, since the pulse repetition rate is 12 kHz, the response time is very short, giving faster response to demands.

The company can supply systems for ½, 1 and 1½ hp (370, 750 and 100 watts) and the speed is variable from zero to full. Speed accuracy can be maintained to a fraction of 1 per cent over a limited speed range, and at 2 *per cent of base* speed over a 20:1 speed range, zero to full load. The systems plug into 13 amp mains socket.

More from the company at Kangley Bridge Road, Sydenham, London SE26 5AS (01-659 4021).

● SAFETY AND SECURITY

Two-stage burglar alarm

SIEMENS has a battery-*powered infra-red motion* detector especially designed for domestic premises as burglar protection. Besides warning of intruders by means of a built-in hooter, it can—through additional plug-in units—switch on the house and garden lights or alert the police or a security service via an automatic telephone dialling facility.

The alarm can be adjusted so that as soon as an intruder penetrates the detection zone, a quiet pre-warning is given before the main hooter alarm is set off. This has the advantage that a carelessly tripped alarm can still be switched off before the hooter is activated and therefore neighbours are not unnecessarily alarmed.

More important it prevents them from becoming too accustomed to the sound of the hooter. According to studies made by various German crime prevention agencies, four-fifths of all intruders are deterred from breaking and entering by unexpected noises as, for example, a pre-warning alarm.

Even if the intruder should find the alarm control box within a few seconds of the pre-warning alarm sounding and turn off the right control button —the control box has a second and completely identical dummy control button to confuse an intruder—it will not be of much use to him, as the switching *pulse for the master alarm* remains stored, and apart from the occupant, nobody can determine the "off" position from the 12 other control button positions.

The optical system of the *infra-red detector* consists of six asymmetrically arranged zones which are all located at the same level within an angle of 90 degrees. Every rapid change of temperature in the detection zone—caused, for example, by a person moving around—is registered at distances of up to 10 metres.

By the optimum placing of the detector, any room of normal size or only certain parts of it—such as those containing especially valuable objects—can be kept under constant surveillance.

Housing for the detector is of completely symmetrical design, and it is impossible without exact knowledge, to draw any conclusions as to the orientation of the detection zone. The 9v battery used in the basic version guarantees an operating period of about one year. Every time the detector is activated an automatic signal indicates whether the battery will last for the next few weeks.

Siemens House, Windmill Road, Sunbury on Thames, Middlesex, TW16 7HS. Tel. (09327) 85691.

Radioactivity safeguard

AN IMPORTANT advantage of a radiation dosimetry system offered by Wallac (Newbury) *and made by Stadsvik in* Sweden is that it is able to differentiate between beta, gamma and thermal neutron emission.

It uses both lithium fluoride and borate *for* detection. *thermoluminescent chemicals* which not only react differently to the radiation types but also have an energy dependence *similar to the response of tissue* and bone.

In these materials electrons freed by the radiation become trapped in lattice imperfections in the crystal and can remain there for many years. But if the temperature is raised the electrons receive added energy *and escape to move to* luminescent centres and give off energy as visible light.

In an automatic reader, the *dosimeters are heated* and the light intensity measured by a photomultiplier tube. Results are printed out by a teletypewriter and can also be seen on a six decade led display or fed to a calculator or computer.

More from Wallac at 112 Bartholomew Street, Newbury, *Berks.* (0635 49429).

Liquefied gas check

ABLE TO detect natural and liquefied petroleum gases such as propane and butane before they reach danger level, the Easigas unit from Horstmann Engineering Products is available in a domestic leisure version and a more complex version for industrial use.

The simpler type retails for £30 and might appeal to caravan and boat owners as well as householders. It is completely self-contained and uses a semi-conductor detector with drift-free electronics. Mains and 12V dc versions can be supplied and both include a loud (70 dBA) alarm bell easily heard throughout a house.

For industry, the other version includes a heat detector, fail-safe self-checking elec*tronics and a relay output to* drive external alarms or to shut down supply valves.

More from the company at Newbridge Works, Bath (0225 21141).

Sensitive head detector

AN EXTREMELY thin bimetallic disc is used in the Apollo heat detector offered by Madewell Electronic Products and complying with BS 3116.

The standard unit is designed to operate (contact closure) at 135 deg. F and will restore at 97 plus or minus 7 deg. F. Other versions have normally closed contacts, or will operate in the high ambient temperature conditions of boiler rooms and kitchens.

These fixed temperature heat detectors have a sealed construction and are not affected by corrosive atmospheres, dirt or dust. In addition, gold-plated contact arrangements ensure that when the generally infrequent closure occurs, the resistance is low and does not jeopardise the alarm circuit.

More from the company at 2a Railway Road, Urmston, Manchester M31 1XJ (061-748 1151).

● INSTRUMENTS

Measures radiation intensity

AN INSTRUMENT developed *within the ICI Petrochemicals* Division for use in day-to-day physics and radioisotope work is to be made available generally.

Contained in a glass reinforced plastics housing measuring 160 x 125 x 250mm and weighing 2.25kg, the instrument, designated *PRI-9* measures gamma radiation intensities in four switched ranges of 1, 10, 100 and 1000 milliarads/hr.

A useful instrument for the demarcation of safe areas during industrial radiography on chemical plants, oil rigs and other installations, the monitor has been granted as BASEEFA Certificate of Assurance.

More data from Physics and Radioisotope Services, ICI Petrochemicals Division, P.O. Box 2, Billingham, Cleveland, TS23 1JB (0642 553601).

● PROCESSES

Moulding of rubber

A NEW design of its Bipel press for compression moulding of rubber has been developed by *the Engineering* Division of British Industrial Plastics (Turner and Newall). The press, which has a clamp force of 120 tons, has a patented vacuum chamber moulding system.

An upstroking press designed for semi-automatic working, its vacuum chamber encloses the complete mould and enables a vacuum to be established in the cavity before punch and die are completely closed.

Production use and extensive trials with a variety of moulds, says the company, have shown that vacuum chamber moulding provides a number of benefits including: reduced scrap, especially on high quality precision parts; elimination of porosity; shorter cure times (in some instances by up to 50 per cent), and reduced downtime for cleaning and polishing of moulds.

Hydraulic power for the press is supplied from a separate drive unit comprising an elec*tric motor-driven pump* balanced by a series of hydropneumatic accumulators. A drive unit fitted with three accumulators has sufficient power to run up to six of the new presses. The unit can be sited remotely or underground.

BIP will show the press for the first time at the Kunststoffe 79 exhibition in Dusseldorf, West Germany from 10 to 17 October.

● *DATA PROCESSING*

Will capture the details

BRITISH RAIL Board has placed an order with Quest Automation *for the supply of* Datapad equipment for use within train planning offices at six locations in the UK. The first is in use at York and the remainder will be delivered to Crewe, Glasgow and within the London area. All systems are *required* to be operational by early 1980.

The order, valued at £200,000, includes 36 Datapads. These will be driven by a total of six stand-alone systems, each comprising a mini-processor, dual diskette and magnetic tape unit. They form part of an advanced British Rail train planning configuration, involving both the working timetables and GB passenger timetables. This is due to become operational in the early 1980s.

*Datapad, with its simple hand*writing technique, will be used to input basic timetable information for the creation and update of a train planning data*base within the IBM mainframe* computers located at Blandford House, London.

Datapad was chosen as the only device capable of capturing data at source, i.e. as it is generated by the train planners, which does not require keyboard skills. *In addition to this the* validation routines imposed by the system will enable logical errors to be detected as they arise and displayed to the planners, who possess the knowledge to correct them there and then. *This will minimise the* delay and inconvenience which results from the correction of errors detected at the mainframe. The hard copy record produced when entering data into the Datapad system will be retained as a permanent record *of all data entered.*

Quest Automation on 0202 891010.

● AGRICULTURE

Safer for sheep shearers

BECAUSE SUCH equipment is generally used in an agricultural environment where electrical installations may not be the most perfect, a speed sheep shearing set has been doubly insulated *in order to* obviate any danger to the user, says R.A. Lister Farm Equipment, Dursley, Glos. (0453 4141).

All potentially accessible metal parts are covered by two layers of insulation—none can *come into contact with the* shearer—and no earth wire is fitted or required.

Drive shaft attachment features a new quick release coupling which enables fast release of the handpiece and detachment of the drive shaft from the motor.

Sheep are apt to roll about in hedges and fields, thus gathering stones, wood and even barbed wire, but—if the shearer were to encounter an obstruction in the fleece—there is an *automatic cut-out.*

● HANDLING

Strapping machine

A SEMI-AUTOMATIC strapping machine has just been *introduced to the UK market* by Pakseal Industries, Pakseal House, Cordwallis Estate, Maidenhead, Berks. (Maidenhead 36381).

Priced at £888 (plus VAT) the company says this is two-*thirds or less of the price of* other semi-automatic strapping machines currently available on the home market.

It should be ideal for use where the quantity of packages *to be strapped, say, around 100* a day, is too great to be handled economically by a hand strapping tool, but would not justify installation of more advanced, semi-automatic plant.

Transport by pipeline

A COURSE, said to be of interest to anyone whose work involves moving large amounts of materials between two points, horizontally or vertically, will take place at the University of Kent, Canterbury, September 24 and 25.

Organised by BHRA Fluid Engineering, Cranfield, Bedford (0234 750422), the intensive short course will cover such topics as ore concentrates and tailings pipelines, wear in pumps and pipelines, classification of flow regimes, dense phase flows, homogenous and heterogeneous slurries, instrumentation, and economics.

هكذا من الأصل

Robert Oakeshott examines how a series of 'multi-project' community ventures initiated by the Highlands and Islands Development Board may mark the beginning of the end of the old croft image in the Western Isles

Thinking big in a Hebridean backwater

THE EEC is considering making a £10m grant to the Western Isles of Scotland. If the representations of Mrs. Winifred Ewing, the newly-elected Euro-MP for the area, are successful, there is a strong case for channelling a large part of the funds into community projects currently being initiated by the Highlands and Islands Development Board.

With this in mind, two senior officials of the EEC's fisheries division recently visited the Western Isles; their furthest port of call was the island of Scalpay, no more than three square miles in area and supporting a population of around 450.

The main project which the prospective Scalpay Co-operative is hoping to launch is probably the most exciting of the wide range of new ventures likely to get off the ground in the next year or so as a result of the HIDB's initiative. For what is being proposed in Scalpay is, by small island and community co-op standards, a capital intensive and highly sophisticated project: a fish processing plant.

The cost of each of the 20 jobs expected to result from the plant is not expected by the HIDB to be less than £5,000 and may well come closer to £10,000.

However, no one is flinching at an investment which may well cost over £100 000 and perhaps twice that. The Scalpay community has already raised £7,000 in three months, and is confident that it will achieve its final target of £20,000 well before any actual investment could be scheduled to start.

Co-op shares

Some of this money has and will come from friends and relatives of the islanders and through local activities. But the largest part will be generated by Scalpay's population in the form of subscriptions to the community co-op's shares. The average share subscription per island household will almost certainly have to be well over £50. That is significantly higher than what the HIDB expected when the whole scheme was launched; and also higher than the average for other embryo community co-ops which are being formed.

On the other hand, it would not be the highest "per household" figure so far achieved. That honour apparently goes to the small island of Papa Westray on the northern edge of the Orkneys, where the 35 resident households have so far subscribed £4,000 between them.

There are at least two good reasons for believing that the Scalpay plans for a fish processing plant will be converted into reality. The first is the calibre and business experience of the leading figures on the prospective community co-op's steering committee. In contrast to what has happened in some other parts of the Hebrides, the Scalpay fishing fleet has been modernised and even increased over the past 15 years. It now provides work for up to 50 of the island's able bodied men.

The island's fishermen have taken full advantage of various schemes which have encouraged investment. The upshot is that Scalpay will enter the 1980s as a prosperous island community and one which has been notably successful in holding on to its population.

The second factor which encourages optimism is the cohesion and solidarity of the island community. This has been exemplified most recently by the high level of subscriptions to the co-op's shares. Older values of solidarity also show up in the income distribution arrangements of the island's fishing boats (as, of course, of many others in the area); the agreed net income of a Scalpay fishing boat is divided equally between all crew members with the skipper and the cook-boy receiving identical shares.

Typically, gross income is divided into the proportions 40, 30 and 30 per cent; the 40 per cent takes care of all outgoings; 30 per cent goes to ownership to cover depreciation, financial charges and a profit share; and the final 30 per cent is then divided equally.

This combination of business experience and individual leadership qualities on the one hand, and community solidarity on the other makes Scalpay a specially promising setting for these new ventures. The extra inducements offered by the HIDB to help them along are essentially two: a matching grant towards the co-op's capital equal to whatever sum the community itself raises; and a grant to cover the costs of the co-op's manager, up to £7,000 a year for the co-op's first three years and up to £3,500 for the following two.

It is of course a condition of receiving these benefits that the co-op's actual projects should satisfy the board.

It is also a condition that the co-op undertakes not to pay out any money on its shares over the first five years. On the other hand, having satisfied the conditions for the Board's special grants to co-ops, Scalpay projects, like any others, are eligible to benefit from the normal range of assistance which it offers to new and existing enterprises: grants, low interest loans, and so on.

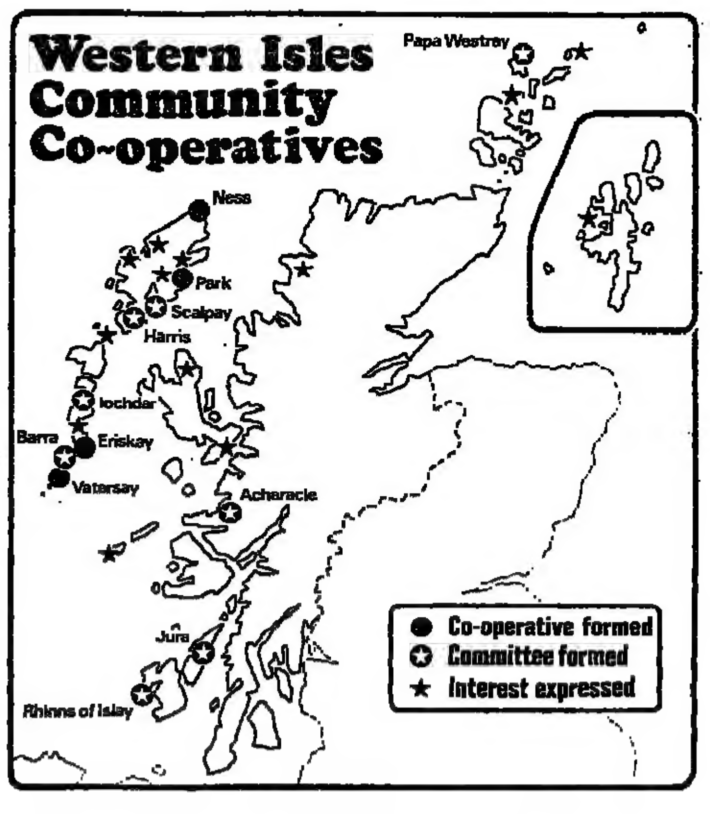
But it would be wrong to imply that Scalpay is the only potential success story likely to result from the HIDB's initiative. By the end of last year four community co-ops were in existence: two in Lewis, at Ness and Park, and two on the small southern Hebrides islands of Eriskay and Vatersay. All these have now appointed managers and all have at least one project in operation. Others are not far behind.

And the span between the formation of a local committee to the formal establishment of a community co-op should now speed up: after almost two years of hassle and argument the Board has recently succeeded in getting the agreement of the Registrar of Friendly Societies to a set of model rules for these enterprises. With any luck there will now only be a few cases for which special constitutions need to be devised and approved by the Registrar. So when, for example, the Harris co-op committee talks of the prospect of registration soon and of appointing a manager in the autumn, that timetable may not be unrealistic.

Not typical

But, of course, Scalpay's proposed fish processing plant is not typical either of the projects already launched or of the 60 additional ones in various stages of preparation. On the other hand it would be equally wrong to think of the typical project as falling into the "raffia weaving" category. Fish farming, boat repairs, sheep and seal skin products, bakeries and mechanical peat cutting are examples of projects under consideration. Plant hire, building, horticulture and knitwear are examples of other projects under way.

It is early days to assess the likely long term impact of these new ventures. The degree of local support is much greater than had been expected. There can be little doubt that a surviving community solidarity has been an important source of this encouraging response.



It is tempting to contrast this new approach by the Board to the problems of the Western Isles and of other remote and isolated communities in its area with that of Lord Leverhulme in the Hebrides, and particularly in Harris, half a century ago. Something approaching £500,000, in the money of the 1920s and 1930s, was spent by the then Lord Leverhulme in a "top downwards" effort to achieve development in Harris. A few houses in Leverburgh, at the south end of Harris, are all that remain from that colossal expenditure.

Ground rules for participation

COMPANIES toying with the idea of increasing employee participation may care to heed the closing words of the British Institute of Management's latest survey report* published today. "Participation must be fully embraced or not embraced at all. There are benefits to be gained from this changed approach to management, but these will take time to manifest themselves and in the meantime patience will be required. However, the long term rewards to be derived from such a policy could be enormous."

This is one of the major themes to come from this commendable study of participation and democracy in industry. In other words, a company should not pay lip service to employee participation, and thereby raise expectations, only to let them down when it comes to taking a difficult decision and the consultative structures are ignored.

"It is essential for the basis of co-operation and communication to be established before setting up any formal committee system. Equally, a managing director cannot tell his senior staff to encourage participation if he continues to take autocratic decisions himself. In other words if the implications for the whole system of decision making are not thought through, the consequences may be that rather than morale and performance being improved, the reverse may occur."

According to Peter Reilly, author of the report, there are five main factors which can be isolated in tracing the development of employee participation: growth of trade unions; government legislation; changing social and economic environment; influence of European experiments and EEC proposals; and the changing attitudes of management.

The reason that companies introduce participation is usually either on philosophical or pragmatic grounds, notes the report. The former is the belief that employees have a right to be involved in decision making, because they have as big a stake in the enterprise as the shareholders. And behind the pragmatic approach lies the hope that it might lessen the conflict between employer and employee, benefit industrial relations, increase employees' commitment to the aim of the enterprise and lead to greater efficiency and productivity.

"Whatever the reasons," warns the report, "it should be remembered that there are unlikely to be immediate benefits. Employers should not be surprised if at times employees still see their interests as being in conflict with those of the company. In many cases this may be justifiable, for instance where redundancy is a possibility. Participation should not be used as a carrot to be replaced by the stick when the company wished to coerce its employees. In the context of participation this is a recipe for disaster."

**Participation, Democracy and Control, by Peter Reilly, is available from the British Institute of Management, Management House, Parker Street, London, WC2, price £21 (£14 to BIM members).*

Jason Crisp

Benefits — going beyond the fringe

UNLESS CHANGES in the structure of personal taxation halt the trend, many of Britain's executives will continue to move inexorably towards the day when they will receive more in benefits than they do in straight salary. Already, the average cost of providing benefits comes to one-quarter of payroll, according to an extensive study conducted by Hay-MSL, the management consultants. And two companies reported that their benefits accounted for more than 50 per cent of payroll.

What is extraordinary is that 49 per cent of the 224 organisations surveyed, ranging from the small to the very large, simply did not know how much employee benefits were costing them.

Hay-MSL reports that companies concerned at the growing costs of benefits have begun to re-examine the "cafeteria" system—where employees may choose from a selection of benefits. "The system has been subject to reservations, often unsubstantiated, on potential administration difficulties, but several organisations are reviewing the possibility of its introduction."

Where companies do provide employees with some kind of choice, notes the survey, it is nearly always very limited.

This latest survey provides further proof that the company car is just about universal with 98 per cent of the companies providing either cars or, at least, car allowances. But what is remarkable is the apparently low levels of salary at which company cars are provided where they are not required as part of doing the job.

Ninety-two per cent of the organisations provided cars automatically at a certain salary or job level as a perk or to show management status. The companies were asked for the lowest salary level at which they supplied company cars, simply to underline status, and 70 per cent of the organisations said it was less than £9,300, 23 per cent were below even £7,500. The average minimum level at which cars were provided as status was £8,740.

Two-thirds of the organisations polled allow some employees first class travel and very nearly a half are prepared to pay for spouses to accompany employees on business trips, including to conventions and conferences. Virtually all the organisations—only 3 per cent did not—provided either canteen, dining facilities or luncheon vouchers (normally a slimming 15p a day).

Four out of every five provided sports and/or social facilities for the employees and nearly two-thirds made arrangements for employees to buy company goods or services at a reduced rate.

Only 13 per cent of organisations surveyed said that they may grant sabbatical leave to some employees but the management consultants note: "Many organisations grant additional paid, part-paid or unpaid leave for particular reasons, including military reserve training, marriage, death of a near-relative and sometimes maternity leave in addition to the statutory requirement."

Almost seven out of ten organisations pay some or all the costs of medical insurance for "at least some employees." And eight out of ten provided periodic medical examinations for their employees, although this is usually for senior management.

Where companies are transferring employees from one location to another 99 per cent of companies provide assistance and 92 per cent pay a disturbance allowance usually of one month's salary or 10 per cent of gross annual pay.

Hay-MSL found many organisations had been making changes in their pension schemes over and above those necessary to meet the contracting out requirements of the State scheme. "The survey shows a trend towards improvements in death in service benefits in the private sector, one area in which private sector pension schemes may be seeking to offset the attraction of the guaranteed inflation proofed pension provided by the public sector."

Hay-MSL recommends that organisations should examine the costs of providing benefits and to see if they are cost-effective or "is money being spent in providing benefits that are not appreciated or wanted?" It also counsels companies to find out whether employees are aware of the benefits being provided.

1979 Employee Benefits survey is available from Hay-MSL, 52, Grosvenor Gardens, London SW1 0AU, 01-730 8371. Price £260.

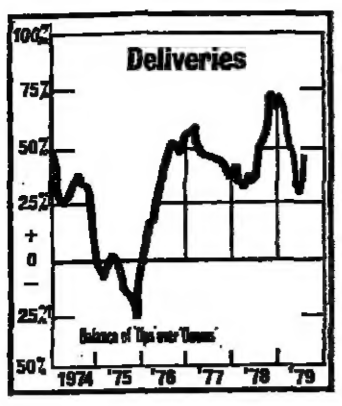
JASON CRISP

FT Monthly Survey of Business Opinion

GENERAL OUTLOOK

Confidence still recovering

BUSINESSMEN in general are more optimistic about their companies' prospects than when they were last interviewed four months ago. There has been a particular improvement in confidence in the building and construction sector though comparisons are affected by the fact that in March this sector was particularly badly hit by the poor spring and winter weather. There has been a slight improvement in optimism in the food and tobacco sector though the textile and clothing sector is even more pessimistic than it was in March.



A positive point highlighting the recovery in economic activity since the troubles of the winter is the sharp improvement in the indicator of deliveries over the past four months.

In contrast, the indicator of export prospects over the next 12 months remains at a historically low level. Two-thirds of the companies interviewed this month specifically mentioned the exchange rate as a constraint and there was also concern about the world recession.

GENERAL BUSINESS

Are you more or less optimistic about your company's prospects than you were four months ago?	Apr.-July %	Mar.-June %	Feb.-May %	Jan.-Apr. %	Const. Build. %	Foods & Tobacco %	Text. & Clothing %
	4 monthly moving total				July 1979		
More optimistic	45	41	40	32	44	48	—
Neutral	38	40	31	33	27	30	16
Less optimistic	17	19	29	35	29	22	84
No answer	—	—	—	—	—	—	—

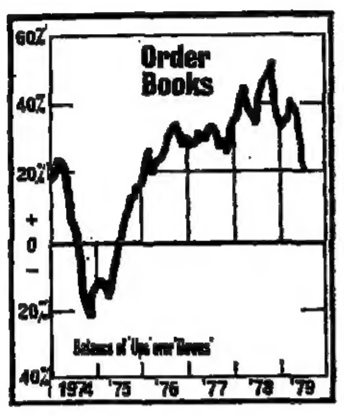
EXPORT PROSPECTS (Weighted by exports)

Over the next 12 months exports will be:	Apr.-July %	Mar.-June %	Feb.-May %	Jan.-Apr. %	Const. Build. %	Foods & Tobacco %	Text. & Clothing %
	4 monthly moving total				July 1979		
Higher	54	49	61	57	44	58	65
Same	30	34	23	34	21	21	35
Lower	15	16	16	9	35	21	—
Don't know	1	1	—	—	—	—	—

ORDERS AND OUTPUT

Demand outlook improves

THE SHORT-TERM demand outlook for industry has improved. All three sectors were more inclined to report higher orders over the past four months than last interviewed in March. The improvement in building and construction reflected an increase in orders delayed by the bad weather earlier in the year. There has, however, been little change in the answers about the level of order books. But the number of companies reporting larger order books is much less than during the spring.



Both the food and tobacco, and the textile and clothing sectors expect rather larger increases in output over the next 12 months than they did last March. However, the figures must be treated with caution since apparently some of the companies mentioned acquisitions as being the source of their improved production/turnover. This benefits individual companies but has no net overall effect.

NEW ORDERS

The trend of new orders in the last 4 months was:	Apr.-July %	Mar.-June %	Feb.-May %	Jan.-Apr. %	Const. Build. %	Foods & Tobacco %	Text. & Clothing %
	4 monthly moving total				July 1979		
Up	60	56	61	59	46	67	89
Same	14	16	18	13	10	—	11
Down	6	11	13	15	20	—	—
No answer	20	17	8	13	24	33	—

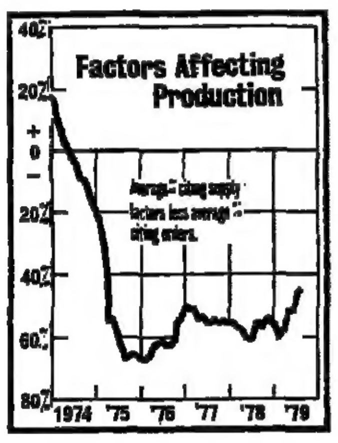
PRODUCTION/SALES TURNOVER

Those expecting production-sales turnover in the next 12 months to:	Apr.-July %	Mar.-June %	Feb.-May %	Jan.-Apr. %	Const. Build. %	Foods & Tobacco %	Text. & Clothing %
	4 monthly moving total				July 1979		
Rise over 20%	4	7	7	9	—	—	—
Rise 15-19%	4	3	2	8	10	—	5
Rise 10-14%	19	18	25	20	—	37	—
Rise 5-9%	24	23	22	20	15	18	58
About the same	35	39	38	37	51	30	37
Fall 5-9%	—	—	1	1	—	—	—
No comment	14	10	5	5	24	15	—

CAPACITY AND STOCKS

Export difficulties mount

THERE HAS been no real change in the extent to which output is affected by demand rather than by supply factors. Although a shortage of home orders was less frequently mentioned than before, reference to export order difficulties have increased to the 50 per cent level. This has offset an increased number of mentions of the impact of labour disputes by the food and tobacco sector. Slightly fewer companies now say they are working below target capacity levels, though this again may partly reflect catching up in the building and construction sector after the poor winter.



The index of expected levels of work in progress shows little change this month but there has been a drop in the indicators of levels of the stocks of raw materials and components and of manufactured goods. The number of companies saying their stocks of all types are too high has fallen compared with recent months. More companies now report that their stock levels are about right.

STOCKS

Raw materials and components over the next 12 months will:	Apr.-July %	Mar.-June %	Feb.-May %	Jan.-Apr. %	Const. Build. %	Foods & Tobacco %	Text. & Clothing %
	4 monthly moving total				July 1979		
Increase	33	41	44	41	20	18	16
Stay about the same	54	51	45	47	24	74	26
Decrease	7	5	8	8	24	—	32
No comments	6	3	3	4	32	8	26
Manufactured goods over the next 12 months will:	—						
Increase	13	27	30	30	10	4	11
Stay about the same	55	45	45	43	5	89	37
Decrease	6	7	9	9	10	—	47
No comments	26	21	16	18	75	7	5

FACTORS CURRENTLY AFFECTING PRODUCTION

	Apr.-July %	Mar.-June %	Feb.-May %	Jan.-Apr. %	Const. Build. %	Foods & Tobacco %	Text. & Clothing %
	4 monthly moving total				July 1979		
Home orders	67	72	78	76	76	82	64
Export orders	50	43	50	54	51	67	63
Executive staff	13	10	8	16	15	15	—
Skilled factory staff	36	34	27	26	41	15	79
Manual labour	9	9	8	14	—	—	26
Components	9	6	6	2	—	15	—
Raw materials	8	7	11	11	—	15	—
Production capacity (plant)	10	13	13	13	15	18	37
Finance	—	—	—	1	—	—	—
Others	5	9	9	10	2	—	5
Labour disputes	39	26	27	27	—	74	5
No answer/no factor	5	6	6	3	—	—	—

CAPACITY WORKING

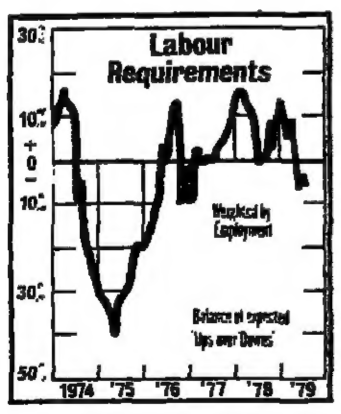
	Apr.-July %	Mar.-June %	Feb.-May %	Jan.-Apr. %	Const. Build. %	Foods & Tobacco %	Text. & Clothing %
	4 monthly moving total				July 1979		
Above target capacity	13	13	13	10	24	22	16
Planned output	60	56	61	67	61	48	79
Below target capacity	27	30	26	22	10	30	5
No answer	—	1	—	1	5	—	—

INVESTMENT AND LABOUR

Plans scaled down

INDUSTRY is now apparently scaling down investment plans. All three sectors are now more inclined than when interviewed four months ago to expect their capital spending to decrease rather than to increase. This is reflected in a drop in the four monthly moving indicator.

For the second month in a row the survey includes a question on the impact of exchange controls, though it is too early to assess the impact of the relaxations announced in the Budget and last month. The central theme of most of the answers is that controls have in the past affected the method used for financing overseas investment more than the level of spending.



There has been little overall change in the indicator of expected labour requirements. The building and construction sector was rather more inclined to say that it expected its labour force to increase rather than to decrease over the next 12 months than it had been last March. But the food and tobacco sector had an opposite view.

LABOUR REQUIREMENT (Weighted by employment)

Those expecting their labour force over the next 12 months to:	Apr.-July %	Mar.-June %	Feb.-May %	Jan.-Apr. %	Const. Build. %	Foods & Tobacco %	Text. & Clothing %
	4 monthly moving total				July 1979		
Increase	16	15	17	21	15	16	29
Stay about the same	60	65	58	38	64	39	36
Decrease	22	19	24	20	11	45	35
No comment	2	1	1	1	10	—	—

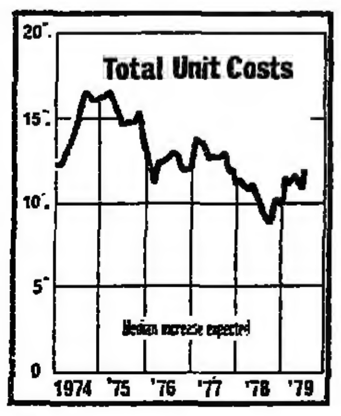
CAPITAL INVESTMENT (Weighted by expenditure)

Those expecting capital expenditure over the next 12 months to:	Apr.-July %	Mar.-June %	Feb.-May %	Jan.-Apr. %	Const. Build. %	Foods & Tobacco %	Text. & Clothing %
	4 monthly moving total				July 1979		
Increase in volume	44	49	50	52	17	39	42
Increase in value but not in volume	22	18	13	9	20	31	—
Stay about the same	8	14	14	19	20	—	10
Decrease	22	17	22	20	33	15	48
No comment	4	2	1	—	10	15	—

COST AND PROFIT MARGINS

Inflation dampens hopes

THE DETERIORATION in the inflation prospects is fully reflected in the latest survey. All three sectors are more pessimistic than before about the expected increases in costs and prices. The index for the median expected rise in wages over the next 12 months now stands at 13.8 per cent, which is higher than at any time since March 1976. Similarly, the index of expected price changes is now at a higher level than at any time since the end of 1977.

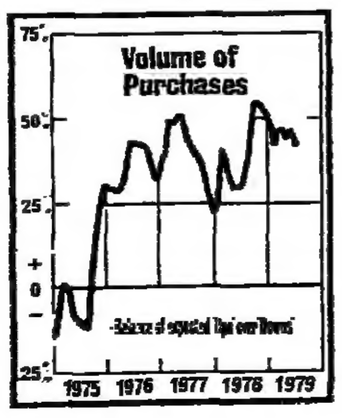


In contrast to other recent surveys and forecasts, the latest interviews points to an improvement in the balance of companies expecting a rise in profit margins over the next 12 months. Both the building and construction and the food and tobacco sectors were rather more hopeful than they had been four months ago of a wider margin, though the textile and clothing sector was less optimistic.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interview with top executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries' Index, which accounts for about 60 per cent of all public companies.

The all-industry figures are four-monthly moving totals covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month).



Complete tables can be purchased from Taylor Nelson and Associates.

COSTS

Wages rise by:	Apr.-July %	Mar.-June %	Feb.-May %	Jan.-Apr. %	Const. Build. %	Foods & Tobacco %	Text. & Clothing %
	4 monthly moving total				July 1979		
5-9%	4	8	10	14	—	—	—
10-14%	52	64	66	60	22	30	21
15-19%	28	17	18	16	24	63	48
20-24%	2	3	1	1	—	—	—
No answer	14	8	5	12	54	7	31
Unit cost rise by:							
0-4%	3	3	3	1	—	—	—
5-9%	22	28	26	25	—	15	5
10-14%	35	41	45	47	51	30	26
15-19%	17	7	11	11	25	40	26
20-24%	1	1	—	—	—	—	21
Same	—	—	3	3	—	—	—
Decrease	—	3	4	4	—	—	—
No answer	22	17	8	9	24	15	22

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	Apr.-July %	Mar.-June %	Feb.-May %	Jan.-Apr. %	Const. Build. %	Foods & Tobacco %	Text. & Clothing %
	4 monthly moving total				July 1979		
Improve	36	38	34	37	41	30	22
Remain the same	47	38	44	41	39	55	22
Contract	11	20	20	20	20	—	52
No comment	6	4	2	2	—	15	4

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FINANCIAL TIMES SURVEY

Monday August 6 1979

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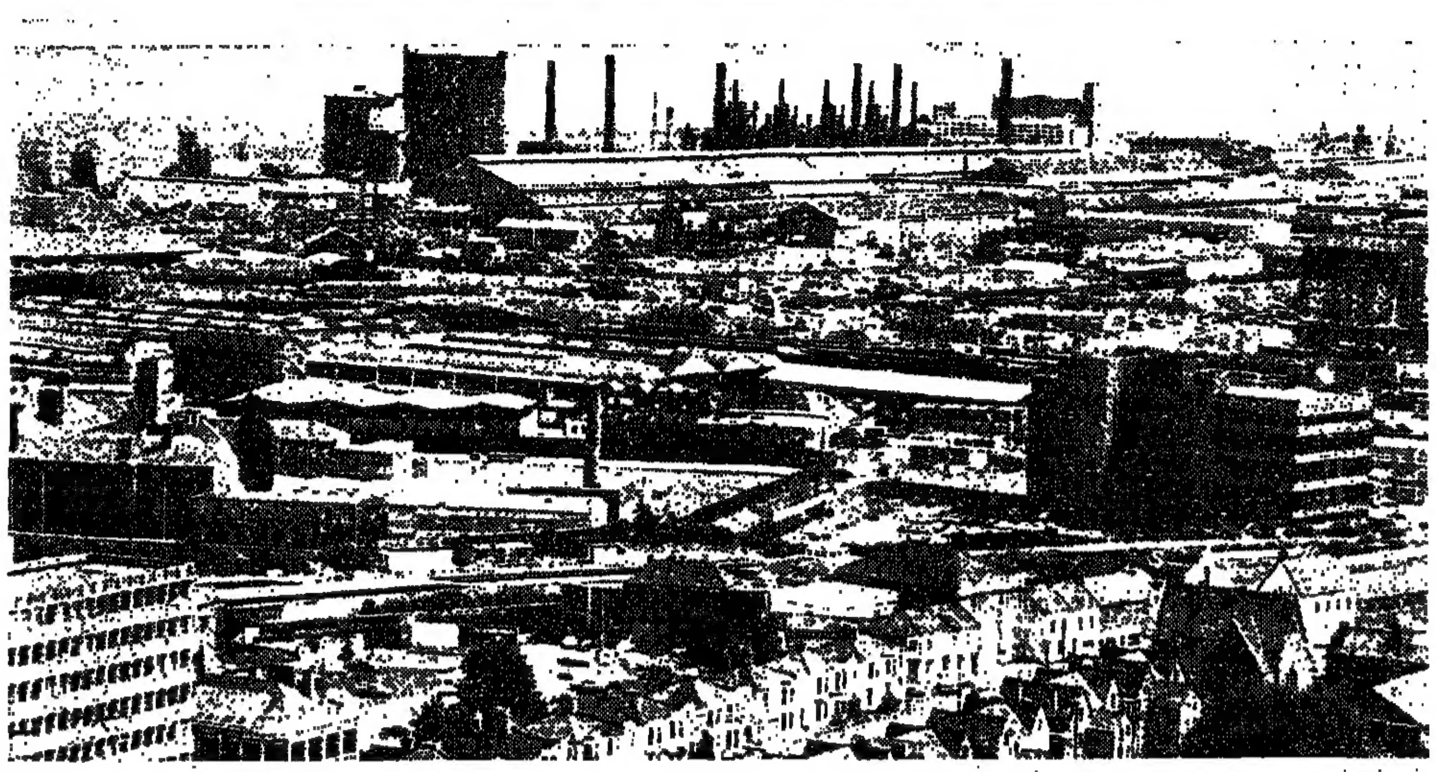
Wales

The referendum decision rejecting an Assembly for Wales and the Conservative Party's big advance at the general election have jolted Wales into a new mood. It can rely no longer on industry being steered there by the government and increasingly must put its own house in order in the context of the British economy.



Part of the changing face of Wales: Cardiff with the defunct East Moors steel works in the background.

Political shock follows polls

By Robin Reeves
Welsh Correspondent

AT FIRST sight, Wales seems much the same as ever. Militant noises from the miners have secured a reprieve for a colliery, Deep Duffryn, threatened with closure. The difficulties of the steel industry are threatening a major loss of jobs at Shotton in North Wales, but the Welsh Office and Welsh Development Agency are making confident noises about the number of new jobs in the pipeline, to help soak up Wales's still above average 7.2 per cent unemployment.

There is also the usual row over Welsh-language education, whether the National Eisteddfod should opt for a permanent site instead of moving to a different part of Wales each year, and whether Welsh language programmes should have the run of the new fourth television channel or continue to be spread over more than one channel.

What is no longer there is the framework which has surrounded many Welsh political and social developments for at least the past ten years: the prospect of an elected Assembly in Cardiff conferring on Wales a measure of democratic self-government.

The issue was always controversial but, particularly from 1974 onwards with the return of a Labour Government, it seemed inevitable that the Assembly would come about as the logical political conclusion of treating Wales increasingly as a national unit within the United Kingdom.

Beginning with the setting up of the Welsh Office in 1964 and spiced by the Welsh Nationalists' parliamentary breakthrough in 1966, it provided a sense of direction, even a dynamic one, in the political process and thinking of a wide variety of bodies and institutions within Wales—just as the prospect of EEC entry affected perspectives in the UK generally in the early 1970s.

The reasons why the Assembly was rejected so overwhelmingly will be mulled over for some time to come. The deeply conservative mood confirmed by the general election, a backlash against Wales's unhappy experience of local government reorganisation, the Assembly's very limited powers to do anything, and fears about Welsh language domination and "separatism" clearly all played their part.

Nevertheless, it left a sense of shock. Overnight, devolution became the great unmentioned subject, even by nationalists. In the general election which followed so soon afterwards, most Plaid Cymru candidates extolled the merits of a constituency MP independent of the main party machines, not Welsh self-Government.

The General Election result turned out to be no less stunning for the Welsh political establishment. Clearly emboldened by its success in opposing the Assembly, the Conservative Party chalked up its biggest General Election advance in Wales this century.

Not only did it push up its share of the Welsh vote from 23 to 33 per cent, but Conservative candidates ousted Emlyn Hooson, the Welsh Liberal leader, snatched Cledwyn Hughes's inheritance of Anglesey from his designated Labour successor, Elystan Morgan, chairman of the Wales for the Assembly Campaign, and helped unseat Gwynfor Evans, the veteran Plaid Cymru leader in Carmarthen.

The recapture of Carmarthen was Labour's only consolation in rural Wales. Elsewhere its vote fell sharply, confirming a Welsh rural trend away from Labour which began in 1966 when the party held 32 of the 36 Welsh seats. Only in the populous industrial constituencies of south and north-east Wales, Labour's traditional strongholds, did the party's vote hold up well.

Plaid Cymru were the principal losers in industrial South Wales. The party was both pushed into third place behind the Conservatives in most Westminster seats and lost control of its two South Wales district councils. But in the Welsh-speaking heartland of Gwynedd the Devolution referendum result was brushed aside.

Caernarvon and Merioneth, which swung from Labour in February 1974, returned their two Plaid MPs with substantially increased majorities. As for the Liberals, Cardigan is all that remains of Lloyd George's inheritence, at least as far as Welsh representation in Westminster goes.

Where Wales goes from here is, in one sense, perfectly clear. A Conservative team, headed by Mr. Nicholas Edwards, the new Secretary of State for Wales, is installed in the Welsh Office with a stronger popular mandate to carry out Conservative policies in Wales than his 1970-74 predecessor.

He has made clear there is no question of dismantling the devolved structure and administrative functions which have accrued to the Welsh level over the past 15 years. The Welsh Development Agency is being kept largely intact. So is the Development Board for Rural Wales, and many of the nominated bodies which abound in Wales.

Scrutiny

Devolution Conservative-style is already going ahead in the shape of a House of Commons select committee on Welsh affairs to carry out the democratic scrutiny function envisaged for the assembly, and more frequent meetings of the Welsh Grand Committee. However, the latter arrangement has not got off to a very promising start. The Government's insistence on discussing a Price Commission report on the Welsh Water Authority instead of allowing an emergency debate on the drastic cuts in regional aid announced two days previously, provoked a mass walkout by opposition MPs.

Recognition that these changes are not enough to fill the vacuum left by the referendum results has also led the CBI in Wales to propose a revamped Welsh Council.

Consisting of representatives nominated by Welsh industry, trade unions, local authorities and other interest groups and an independent secretariat, it would advise the Secretary of State.

It may be that these changes will prove adequate and perfectly acceptable for the foreseeable future. Certainly, in present circumstances it is very difficult for any politician to stand up and demand anything radically different.

But the question remains what will be the Welsh political reaction if the Conservative bid to revive the market economy fails. As another economic recession gathers, the outlook in Wales seems even more ominous than in the UK as a whole.

The fact is that the previous Government's more interventionist tack and relative higher public expenditure on improving infrastructure did seem to bring tangible benefits, most spectacularly in the decision of Ford to site its new European engine plant in South Wales.

The Welsh Development Agency and the Development Board for Rural Wales were established in the teeth of Conservative opposition. Having injected new energy and resources into tackling Wales's economic problems, both have been accepted by the Government as valuable instruments of economic intervention. The previous Government's Beswick delays in steel plant closures and the strong support shown towards coal over other forms of energy also helped to shelter Wales from the worst impact of the 1974-76 recession.

When the East Moors and Ebbw Vale steel closures did come about they were followed by a lot of bustle and sizeable Government grants to help rebuild the local economies.

The new political environment is already looking far harsher. The Wales TUC has predicted as a result of the first Conservative Budget that unemployment in Wales will rise from its present level of about 80,000 to 120,000 by the end of the year. The Wales CBI,

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Aid cuts a blow to economy

IN THE past month Wales has had a nasty buffeting. First, the British Steel Corporation pulled out the plug on steel-making at Shotton, and then the Government unveiled its plan to cut back regional aid from 1982 as a result of which 40 per cent of the land area will no longer receive any form of assistance.

Finally, the Government reversed its plans to direct Civil Service jobs out of London and 4,000 Ministry of Defence jobs which were heading for Cardiff will now stay in London.

These blows came at a difficult time in any case. Cardiff still has to come fully to terms with the closure of the East Moors steelworks in the city early last year and, with rising unemployment in the country as a whole, the economy is precariously based.

The most important of these changes is the new direction on regional aid. Most of Mid-Wales eventually will be taken out of the scope of assistance and some of the special development areas such as Caernarfon, Newport, Pontypridd and Merthyr Tydfil will be downgraded. Other development areas, such as Swansea, Llanelli, Port Talbot and Bridgend, will become intermediate areas.

However, the picture is not quite as black as it seems at first sight. Although vast land areas are affected only 6 per cent of the population has been removed so that nearly all the working population of the country will continue to be employed in areas receiving some form of assistance.

Migration

Such a radical redrawing of the aid map will hit Wales badly. After a long period in which there was a net migration from the country the trend has been reversed over the past 15 years, a trend assisted by the whole panoply of regional policy.

Between 1951 and 1961 there was a net outward migration of 35,000 people, dropping to 10,000 in the next decade. Between 1971 and 1979 the inward movement has been 40,000, with the watershed dating from 1966.

Wales will no longer have as wide a range of sites in areas of assistance to offer, making it that much more difficult to compete with such countries as Ireland. Inevitably, there must be some slowing of projects, especially in those places such as Port Talbot, Swansea and Bridgend, which will come down to intermediate area status.

This slowing process depends though on the willingness of companies to consider other, more highly assisted, parts of the country. Not all may be lost: some companies may still be willing to consider the special development areas, especially now that they are relatively more attractive places.

Further, even though the Government will be more stringent in its vetting of applications for selective financial assistance, it is possible that this sort of aid might increase in future, partially offsetting the drop in regional development grants.

Certainly selective financial assistance has been on a strongly rising trend recently. In 1976-77 there were 98 offers of help under Section 7 of the 1972 Industry Act, a figure which went up to 158 in 1977-78 and 193 in the financial year ending last April. The total is averaging about 20 a month at the moment and the outcome for 1979-80 is sure to be somewhere over 200.

The number of inquiries reaching the Welsh Office for information regarding sites has been rising strongly. In the first half of 1977 the figure was 250, going to 340 in the same period of the following year and 400 in 1979.

Visits to Wales—a logical consequence of inquiries — have also gone up strongly. From 170 in 1977 the total went successively to 260 and 440, a better record than anywhere else in the UK.

That such inquiries and visits do turn into firm commitments can be seen from the Welsh Development Agency's advance factory building programme. Between January and June last year 40 were allocated, the figure rising to 60 in the second half of the year. In the first half of this year 62 were allocated and with a further 95 provisionally allocated the total for 1979 will certainly top 1978's 100.

These successes must not obscure the problems that still remain elsewhere. Steel is the most obvious. Not only does the axe hang over Shotton but de-manning at both the major steel-making works of Port Talbot and Llanwern, as well as at the tinplate works in Ebbw Vale, Troestre and Velindre will all deflate Wales's economy.

Coal—after steel—is the other major industry facing problems. The workforce is now a little over 30,000 and the Coal Board is still looking for pit closures to reduce its financial losses in the division. The one hopeful sign, as the second thoughts over Deep Duffryn have shown, is that the Government probably does not want to take on the miners while there are doubts over the supply of oil.

The problem in Wales—and, of course, it is not unique in this respect—is that it is still not attracting sufficient new industry to offset the closures. Great efforts have been made to bring industry in, and the new companies have made an important contribution. But more is still needed.

Recruiting

In the 12 years to the end of 1978 about 300 new manufacturing units came into Wales, which provided work for 35,000 people. At the end of last *month* Kaiser Aluminium announced plans to begin fertiliser production at a new plant in Wrexham and Ford is about to start recruiting 2,500 for its giant engine plant at Bridgend which will be in production, on schedule, next May.

North Wales has done rather well in attracting new business since Hotpoint is to turn out domestic appliances at Rhyl, employing 800, joining existing names such as BICC, G-Plan, J. C. Bamford and ERF. In Ebbw Vale, South Wales, an employment black spot, with the run down of steel, both Control Data and Alfred Teves have announced expansion plans.

The Welsh economy is in a transitional phase and will remain so over the next 12 months. The best that can be hoped for is that what has gone into the pipeline over the past two years will emerge and compensate for the inevitable losses in coal and steel. The economy would have been stronger, and better able to meet these difficulties, if regional aid had not been cut.

Anthony Moreton

Shock

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as well as the trade unions, has roundly condemned the cutback in regional aid as a serious blow to the task of creating more Welsh jobs.

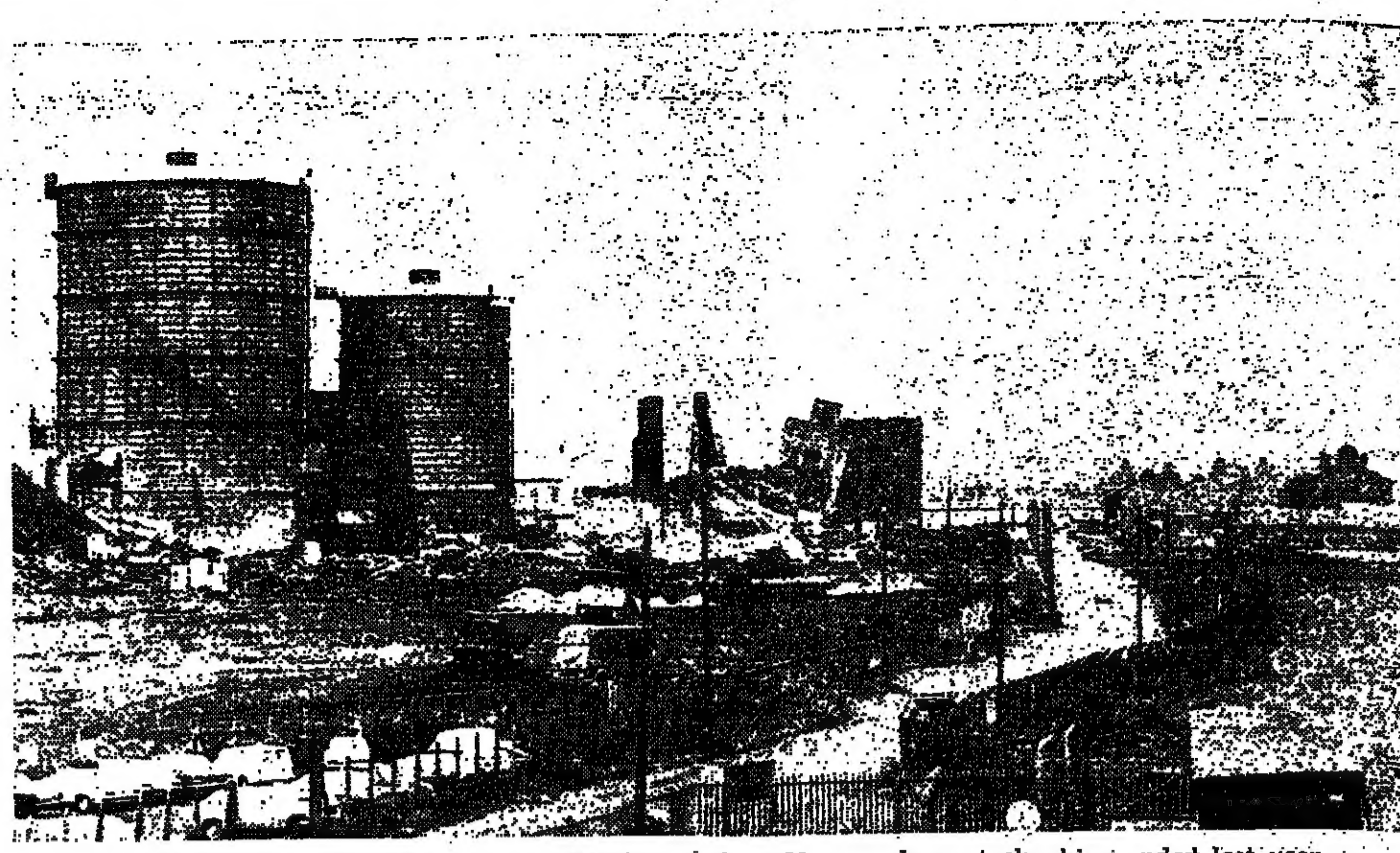
Implementation of the Government's reduction in local authority financial support is already threatening employment in some areas and has triggered some sizeable demonstrations. Yet, by all accounts, this cutback is only a start. Since a higher proportion of jobs in Wales is linked to the level of public expenditure, compared with many other parts of the country, the impact is likely to be felt more deeply.

In political terms, this will serve to *underline, at least* in the short term, the argument of Labour's anti-devolutionists during the referendum campaign that Wales is too dependent on English largesse in the form of public expenditure to risk calling this into question by creating a devolved Assembly.

But equally, there could come a point at which an underlying argument of the pro-devolution campaign begins to ring more true. This is that the days when Wales could rely on inflow of expanding industry steered by Government from more prosperous parts of the UK are drawing to a close, and that Wales must therefore take increased responsibility for putting its own house in order if it wishes to retain its identity as a distinctive community.

But these are early days and speculation is exceptionally hazardous. For the time being, the Welsh Nationalist dragon has been driven back into the mountain fastness of Snowdonia and the Labour party in Wales is not going to be in a hurry to give its platform a distinctive Welsh *dimension* which the local leadership championed so doggedly for more than 12 years.

The referendum result was a massive reassertion of the British dimension in Welsh life which the political forces and institutions of Wales are now having to learn to live with. Even so, few people, even its active opponents, believe the devolution issue has gone away for good.



Demolition under way at the former BSC plant at East Moors, where steelmaking ended last year.

Replacing the lost jobs in steel

WALES MORE than any other part of the UK is feeling the effects of the steel industry's difficulties. Last year saw the closure of BSC's East Moors, Cardiff, steelworks and the end of steelmaking at Ebbw Vale, South Wales, resulting in the overnight loss of more than 5,000 jobs.

Within the past month, BSC has announced its intention to end steelmaking at the Shotton works in North Wales with the loss of a further 6,300 jobs.

The worsening market for steel and the Conservative Government's insistence on BSC sticking to its break-even target of next March has rendered obsolete a 1977 assurance that Shotton steelmaking capacity would be safeguarded at least until 1982.

In between these headline-grabbing events, there has been a series of smaller negotiated staff redundancies aimed at reducing manning levels to an internationally competitive standard. The net result is that whereas in 1970-71 the Welsh steel industry employed nearly 75,000 people, now the number is down to just over 48,000 and still falling.

Closure at Shotton and a cutback of 1,000 jobs at Port Talbot, now under negotiation, will reduce the figure close to 40,000. This is a dramatic fall by any standard, but even more so for Wales where, in the *recent past, nearly one in ten* jobs was connected with the steel industry. It is exceeded only by the rundown of employment in the Welsh coal industry —from 150,000 in the early 1950s to less than 30,000 today.

In the circumstances, the painful process of steel rationalisation has gone surprisingly smoothly, so far at least, though Shotton could prove to be a different proposition. Moreover, Wales is banking up a wealth of experience in tackling the problem of rapid technological change upon whole communities which is likely to have far wider application in the years ahead.

Looking back at the negotiated closures of East Moors and Ebbw Vale steelmaking, three *factors immediately stand out.* One was the long period of mental preparation—the cynical would describe it as a "softening up" period—which helped to soften the blow psychologically. The closures were mooted as early as 1972 and also postponed by Lord Beswick's review of BSC's rationalisation plans.

Influence

Another factor was the attractive redundancy package, on offer from BSC, to sugar the pill of massive job losses. The well-publicised severance cheques of up to £17,000 per man, depending on length of service, was undoubtedly a powerful influence on the workforce to abandon their long resistance to closure, *and a factor which may prove* decisive again in the case of Shotton, which has many long-service employees.

The third factor was the value of having specialist agencies such as the Welsh Development Agency, BSC (Industry), the Manpower Services Commission and even the Welsh Land Authority to rally round the local authorities and start rebuilding the local economy quickly.

Closure, after all, is only the beginning of the problem. Circumstances obviously differ from place to place, but Cardiff's particular experience illustrates developments in the aftermath of a steel plant shutdown.

On the credit side, it is reckoned that of the 3,100 made redundant by the East Moors' closure, only about 500-600 are still out of work. The rest have either found alternative jobs in the locality, drifted away, or are simply in early retirement. About 600 men fall into the last category.

Work on Cardiff's long-delayed £50m city centre redevelopment scheme is helping to soak up unemployment stemming from steel redundancies.

Many of the East Moors craftsmen were snapped up by the GKN steel plant immediately next door. It is the case that craftsmen willing to work shifts in a hot metal environment tend always to be in short supply. A further 400 or so have been employed on dismantling the works, which for the Bird Group of Stratford-upon-Avon has provided the largest demolition contract in Europe. It includes the salvage of an estimated 350,000 tonnes of scrap steel for feeding into BSC's Llanwern steelworks, 12 miles away.

A significant number of East Moors men have also been taken on by Myson Radiators whose takeover of the former Penrad Radiator company in Cardiff coincided with closure of the steelworks.

But the biggest help, so far, towards soaking up unemployment has been the start of construction work on a long-delayed £50m Cardiff City Centre redevelopment scheme. It has created about 1,000 new jobs in the central area and brought male unemployment down from a level comparable with Glasgow and Belfast of 10.3 per cent a few months ago to 9.4 per cent.

Before the East Moors closure male unemployment was running at 7.7 per cent. Even so, the fact remains that Cardiff still has to make up for the loss of about 3,000 permanent industrial jobs—and more, *since* the number of school-leavers is expected to increase over the next decade. The local authority, South Glamorgan County Council, is looking to create an extra 13,000 new manufacturing jobs between now and 1981.

Cabinets

Since the closure, the Welsh Development Agency has got stuck into the first phase of a crash programme of advance factory building with the aid of a special £13m grant provided by the last Government to cope with Cardiff's special difficulties. Twenty advance factories are now under construction, mostly alongside East Moors, and a tenant for one of the four larger units of 25,000 sq ft has been found already.

Dunsters is to start manufacture in August of television cabinets (for Sony at nearby Bridgend). This company and Setpoint, which is making micro-processor-based electronic *load cell weighing equipment,* are both temporarily housed in a BSC building prior to moving into advance factory units when they are completed in January.

Factory construction on the East Moors site itself should start *in a few months'* time; though there has been a hitch in sorting out the problem of land ownership. The previous Government proposed purchasing the site compulsorily from the present owners, the BP pension fund, through the Land Authority for Wales. But the scheme is now on ice as the new Government ponders the fate of the authority.

Access

If everything goes according to plan redevelopment of the 130-acre East Moors site will be completed by 1981, with ample industrial premises and improved roads access, to give Cardiff a better opportunity than most to attract new manufacturing industry.

The city's development area status has been left untouched by the government's regional policy changes. Since there is now less choice open to relocating industry wishing to take advantage of regional aid, the changes should enhance Cardiff's attractions.

Ebbw Vale, 20 miles away at the head of the industrial valleys, should also be in a stronger position. The rundown of steelmaking there has led to the development of a massive new industrial estate, Rassau, carved out of the mountainside. Ebbw Vale has retained its special development area status, giving 22 per cent grants on building, plant and machinery, and this has become a more valuable incentive with the drop from 20 per cent to 15 per cent in *ordinary* development area grants.

If the Shotton closure goes ahead, it is clear that that area too will be given special development status in a bid to attract *new enterprises* to the *Deeside* industrial park which has already been constructed alongside the steelworks.

In *short,* much is being done to ensure that the damage to steel communities is repaired in a way which will give the local economies a wider and therefore more resilient base. But in the end success still hinges on an overall buoyant economy. Without it, there simply will be insuffcient inflow of new enterprises to take up the huge number of jobs lost in the Welsh steel industry.

Robin Reeves

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More overseas companies arrive

BEFORE THIS year is out, some significant new names could be added to the already impressive list of overseas companies operating in Wales.

The biggest coup for Wales in attracting overseas investment is Ford's new £180m European engine plant, now nearing completion at Bridgend. The company's decision to come to Wales in 1977 confirmed that the Principality, after a slow start, has now entered the first division in the fight to attract foreign investment.

Hardly less important from the point of view of Wales's investment images has been the influx, over the past few years, of a clutch of Japanese companies, with such well-known names as Sony and National Panasonic

The most recent arrival, Hitachi, ran into opposition originally from the domestic television industry when it proposed building a plant in North East England and at one stage the company appeared to lose interest for good, with potentially-damaging consequences for overseas investment in Britain generally.

However, the company is now happily linked with GEC in a joint venture manufacturing colour televisions at Hirwaun, a move which has enhanced Wales's claim to have assembled the largest concentration of Japanese-owned manufacturing industry in Europe.

Monsanto Chemicals was the first foreign-owned company to come to Wales—to Ruabon near Wrexham in 1920. But in 1945, there were still only three foreign-owned companies operating in Wales, and during the first 20 years after the war, the number grew only very slowly by comparison with the rest of the U.K., and particularly Scotland.

But the late 1960s and the 1970s produced a quickening in the pace of arrivals. Today there are no fewer than 175 manufacturing concerns in Wales with an overseas parentage providing, between them, well over 50,000 jobs. Of this total, 120 are American-owned, 50 have a continental parent company (22 of them in West Germany) and five are Japanese.

By far the biggest in terms of investment and throughput are the refinery complexes of the four U.S. oil companies, Amoco, Esso, Gulf and Texaco, grouped around Milford Haven's unique deep-water anchorage in West Wales. But few industrial sectors in Wales are now without a foreign-owned participant and in terms of jobs, engineering and particularly electrical engineering, is the most important sector.

The reasons which have brought such a variety of companies to Wales obviously vary. But it is significant to note that a 1976 study of overseas investment in Wales found that the package of financial inducements offered by government was the single most important incentive.

The cutback in regional aid by the Conservative Government has aroused concern that the inflow of overseas companies into Wales will be hit. On the other hand, the decision to delay full implementation of the cutback until 1982 ought to mean that potential investors now in the pipeline will be unaffected in practice.

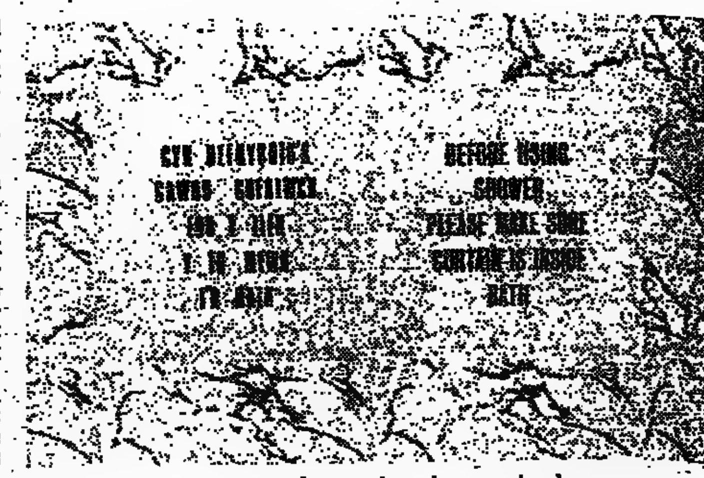
Moreover, the decision to maintain selective investment aid should, in theory at least, still enable Wales to put together a sufficiently attractive aid package to continue competing with other parts of Europe for "footloose" investment capital.

The battle to attract foreign investment is spearheaded by the Industrial Development Corporation for Wales, an independent body founded in 1958 by a group of industrialists who felt Wales was missing out by not having a promotional body akin to the Scottish Council. These days it is also supported financially by the Welsh Development Agency (Wales's equivalent of the National Enterprise Board) and Welsh local authorities. But it remains very much a slimline operation with a mere handful of staff headed by an industrialist chairman, Mr. Douglas Badham, and chief executive, Mr. Meirion Lewis.

In the early days, the emphasis was very much on seeking to attract new and more diversified industry from across the English border but it soon became apparent that Wales ought to be casting the net further afield. Today, the corporation has its own representatives in the East, mid-West and West of America, West Germany, Sweden, and Japan, as well as the small team operating out of Cardiff—all dedicated to bringing new overseas investment to Wales.

Besides promotional visits, the corporation also organises frequent trade missions to different markets of the world. The task of persuading companies inside the UK to expand or re-locate in Wales effectively has been handed over to the Welsh Development Agency which also has the responsibility for building the new industrial estates and advance factories which have become an essential element in the corporation's promotional armoury.

Interestingly, the corporation looks upon the Republic of Ireland as its biggest rival in the international arena. The Republic has a high-powered industrial development authority with lavishly staffed offices throughout the world, vigorously promoting the merits of Ireland as a manufacturing location, and the powerful incentive of tax-free export profits until 1990.



Bilingual signs are becoming increasingly common in Wales so that newcomers are finding two languages in regular use. The Cardiff hotel in which the signs above appear makes sure that guests taking a shower are left in no confusion.

Advantages

But the Welsh Corporation team is undaunted. It argues that Wales has other advantages to compensate for any straight comparison of financial inducements.

One is a skilled and experienced industrial labour force used to shift work, so common in many modern manufacturing processes. Another is a highly developed social infrastructure. Wales has no shortage of training and higher education facilities which can be of immeasurable importance for the research and development and future growth of a company's operations. Another is Wales's closeness to the European "golden Quadrant" compared with rival locations.

The relative isolation of South Wales in the past has been wiped out by the Severn Bridge, the extension of the M4 deep into West Wales, and the high-speed train link bringing London and Heathrow within two hours' journey time. Cardiff Airport too is offering a widening range of freight and passenger services to different parts of the Continent.

Unfortunately, attempts to build up internal air links within Wales, which would be of immeasurable value in spreading foreign investment more widely, have suffered a sharp setback with the demise of Air Wales. It is a particular blow to large parts of North Wales which cannot yet boast a similar improvement in road and rail communications.

Until the A55 dual carriageway is built through to Anglesey, to be completed by 1984, North Wales will continue to have more difficulty than South Wales in attracting foreign investment. Yet, a recent survey of U.S.-owned companies, commissioned by the Welsh Development Agency, gave Wales high marks as a location for manufacturing industry.

The majority of companies said that their productivity was at least as high as in the U.S. and a significant proportion put their output per unit wage cost up to 50 per cent higher than in comparable American plants.

The survey also concluded that industrial relations were far more harmonious than "many newspaper reports would lead us to believe." More than 80 per cent of U.S. subsidiaries questioned reported no significant disruption of production in the last five years. Many described union negotiations as long and hard but only a small minority—8 per cent—regarded their workforce as aggressively militant.

The Development Corporation's target now is to ensure that Wales has a significant stake in the new generation of high-technology industries. The nucleus is there already, but it needs to be expanded. The corporation's new dream is to change the image of the Welsh valley from coal and steel to something more akin to California's Silicon valley. It is an ambitious but worthy goal.

R.R.

Oil industry slow to expand

WELSH OIL today is almost synonymous with Milford Haven. The growth of the port over the past 20 years has been staggering. But equally surprising has been the lack of spin-off in the new downstream industries.

Apart from the unique chain of BP plants across South Wales—a set-up which basically pre-dates the rise of Milford—there has been remarkably little spin-off. Although it is too soon to write off all hopes there is no doubt that this has been a major disappointment, particularly considering the success of the port itself.

Twenty years ago Milford was a small, insignificant fishing port. Esso was the first of the big oil companies to open a refinery there—in 1960.

In the same year BP opened its 62-mile pipeline from Angle Bay to its refinery at Llandarcy near Swansea. Llandarcy opened in 1921, and was the first major refinery built anywhere in Britain. The attraction of South Wales then was not deep water as at Milford, but, when the plant was planned during the 1914-18 war, a good 650-acre site in a fine defensive position.

Since 1960 three more refineries have been opened on the shores of the Haven, none of them as big as Esso. They are owned by Texaco, Gulf and Amoco.

The five South Wales refineries now account for almost 30 per cent of Britain's crude oil distillation capacity. Add to that Shell's Anglesey terminal at Amlwch which feeds the Stanlow refinery in Cheshire with a major share of its crude, and the importance of the Welsh oil industry to Britain is clear.

The industry is also expanding. Texaco and Gulf are currently building a £290m catcracker, with Amoco and Murco joining forces in a similar venture valued at more than £80m.

The oil companies' cash is cushioned with almost £80m in Government financial assistance, but even so it represents the biggest private investment in Wales for many years.

It will give much greater flexibility to them all in the products they can produce—in particular a higher proportion of lighter end products including petrol.

Both expansion programmes follow partly from the harder line on prices taken by the Arab countries since 1973 but they will be increasingly important because of the Iranian situation more recently and because of the growing flow of oil from the North Sea. Only last month the Amoco (UK) Exploration Company announced that the North West Hutton Field would be on stream by 1982. Murco also has North Sea interests. Oil from the North Sea is taking a bigger and bigger share of Milford imports.

The two catcrackers which will begin production in the early 1980s, represent a growing trend among the oil companies to operate joint ventures. The Milford companies already have one important joint venture—the 265-mile long pipeline to the major Kingsbury oil terminal just outside Birmingham and on to Manchester.

It could be said, however, that this co-operation is not such a good thing for the Welsh economy. It speeds the oil through Wales rather than greatly benefiting the local economy.

Refineries—and the chemical industry—traditionally provide little employment. In the Milford Haven area there are estimated to be only 3,000 workers directly employed in the industry and that includes about 160 who work for the Milford Haven Conservancy Board which runs the port facilities.

In Wales as a whole oil and petro-chemicals employ about 12,000—a very disappointing total when it is realised that these have seen major growth just as the basic coal and steel industries have declined during the 1960s and 1970s.

Impact

In some ways the building work on the huge plants has had more impact on the local economies than the final product. A rule of thumb guide in the Milford area is that a plant eventually employing 300 will take a labour force of about 3,000 to build it.

The effect of the catcracker construction can be seen clearly in the Pembroke and Milford unemployment figures. Work is well under way on the Texaco-Gulf catcracker. Last June unemployment in Pembroke Dock was 11.2 per cent and in Milford 9.4 per cent. This June it was 8.8 and 7.3 per cent respectively.

Higher pay rates in the oil industry have also affected the availability of skilled labour locally—but councils in the Dyfed area are making major efforts to diversify their industry. These could be affected by the general down-grading of the area's status by Sir Keith Joseph, Industry Secretary, in his regional aid changes due to come in in August 1980.

Even the Conservancy Board itself is trying to diversify. It managed recently to attract the B and I ferry service to Ireland. The ferry formerly ran from Swansea.

Further expansion in the oil industry could take place at Milford. It seems likely however that if there is a major boost it will depend on successful results from the offshore exploration in the Celtic Sea.

Hopes of success have diminished considerably despite the British Gas find farther north in Morecambe Bay and the gas find off the Irish coast. But, with the steep oil price rises, the excitement of the hunt is beginning to grow again—even if slowly—and there is some optimism that at least one company will shortly recommence exploration in Cardigan Bay.

Most Milford refineries have been working at between 60 and 75 per cent of capacity for years. In the past 12 months production has gone up.

According to the Conservancy Board, the figures in the first six months of the year for gross registered tonnage using the port was 16,689,591 compared with 14,599,725 in the same period of last year. Most of the extra tonnage was attributed to increased oil imports.

BP holds a special place in the South Wales oil industry. Geographically no one else has a similar operation anywhere in Britain. The group employs about as many people as the rest of the industry together.

Oil is piped to Llandarcy for distillation. Products such as naphtha are then piped from Llandarcy to the nearby Baglan Bay plant. There the group makes a whole range of materials including ethanol, styrene, vinyl chloride monomer and even PVC. BP Chemicals at Barry uses some of those materials and also makes PVC.

It is difficult to assess just how much of this is exported from the area, but in South Wales there are a number of plants which use products from the chemical industry. One of the most notable is Takiron (UK), which makes PVC corrugated sheeting at Bedwas, near Caerphilly. Takiron is one of the Japanese companies which has moved into the area and it obtains materials from BP at Barry.

There are other notable offshoots to the industry—Monsanto has a plant employing 850 at Newport, Gwent and another at Wrexham in the north employing more than 700. ICI Fibres also has a factory producing nylon and Polyester yarns at Pontypool, Gwent, where it is spending £50m on modernising its plant. The investment will not provide new jobs but will give security to existing workers.

There have also long been hopes of attracting downstream industries to other parts of Wales. Cardiff is an example. Large areas of land on the coast on the edge of the city have been earmarked for this type of development but so far there are not enough attractions in this part of Wales to make this successful.

It seems that for the moment at least the Leontief matrix holds good and there are not enough cross-linkages to make a major centre for oil-related industries in Wales attractive—but this is changing fast, particularly with the increasing price of oil, and optimism is high.

Richard Murphy

Welsh Office team

Nicholas Edwards

WALES THESE days is changing fast and Nicholas Edwards, 45, the new Secretary of State for Wales, fits the new mood. He has a brash, no-nonsense style which certainly goes down well in his Pembrokeshire constituency—which he turned at the election from a marginal into one with a 6,000-plus majority.

And if the reports coming out of recent Cabinet meetings on spending cuts are anything to go by, his outspoken manner has been wielded with some effect against the Treasury Ministers.

Certainly that looked to be the case immediately following the Budget. Cuts in the Welsh Office's spending plans were just £16m compared, for example, with an equivalent £62m lopped off the Scottish Office budget. "Wales has come through the exercise as well as we could reasonably hope," he commented.

Since then, of course, the axe has been wielded against Shotton, regional policy has come under fundamental attack, the transfer of the Ministry of Defence from Whitehall to Cardiff has been abandoned and more severe local government cuts are threatened next year.

All these decisions, however, bear the stamp of Nicholas Edwards's approval, for he is a Mrs. Thatcher man to the hilt and an enthusiastic follower of her get-tough approach to Britain's declared profligacy. It was she, after all, who promoted him to Front Bench spokesman on Wales in 1975 over the head of Wyn Roberts (Conwy) who is now [illegible] at the Welsh Office.

[illegible] was formerly a director of PA International and Sturge Underwriting Agency), Mr. Edwards entered politics rather by accident at the 1970 general election. He was selected almost by default in 1968 when no one else turned up for interview in far-flung Pembrokeshire and then in 1970 he captured the formerly safe Labour seat due entirely to the catastrophic split in the local Labour Party when the sitting MP, Desmond Donnelly, formed his breakaway New Democratic Party.

Since then he has consolidated his hold on the constituency and now has to see if he can do the same to Wales as a whole. This year has given him an encouraging start with the referendum campaign and the election.

But there is a bumpy road ahead.

Michael Roberts

IN SOME ways Michael Roberts, MP for Cardiff North West, is the most Welsh of the Welsh Office Ministers. Certainly he resents any suggestion that to be really Welsh you have to speak the language and emanate from somewhere in the hinterland behind Cardiff.

An ebullient figure—in May he told the House of Commons the party was planning a coach tour to study the scenic beauty of Wales in Tory territory from Chepstow to Holyhead — he stands as an affront to those who suggest that he represents an alien party in Wales.

He was many years in Cardiff politics, fighting Mr. Callaghan in Cardiff South-East in 1964, before he captured Cardiff North in 1970 (after the 1973 redistribution of seats he moved to Cardiff North West at the February 1974 election).

His experience as a teacher and then headmaster in Cardiff before his election is standing him in good stead at the Welsh Office where he has special responsibility for education.

Wyn Roberts

WYN ROBERTS, MP for [illegible] the only Welsh [illegible] in the Welsh [illegible] team, has [illegible] speaking population — a sensitive business when such issues as bilingual education and the fourth television channel are at stake.

Earlier this year he raised a storm when he suggested that Welsh-language programmes on the new fourth channel might be confined to the early evening slot. A hasty retreat was sounded from that, but the whole question is still very much in the melting pot.

Bilingual education is on his doorstep in more ways than one, too. Anger at Gwynedd Education Committee's policy of demanding that all its pupils take Welsh to O-level has concentrated in anglicised Llandudno in his constituency. Equally fierce reactions on the other side of the question are to be found in the hinterland of the Conwy constituency.

But Wyn Roberts should have enough experience in presentation at least to cope. In 1954 he became the BBC's first television news reporter in Wales and carved a career in television until becoming an MP in 1970.

هكذا من الأصل

Wrexham retains its character

WREXHAM AS a town does not fit easily into any of the usual Welsh stereotypes. With its past prosperity founded on iron and steel, in some respects it is like an outpost from South Wales, right down to the celebrated male voice choir which takes its name from the neighbouring village of Rhosllanerchrugog.

At the same time Wrexham retains much of the character of a market town for the produce of the surrounding Clwyd hills, and the new borough, created from the merger of three local authorities in 1974, now embraces within its 142 square miles a substantial acreage of good-quality farm land.

Again, with Chester only 12 miles away, Wrexham has always been exposed to English influences, and when Offa's Dyke was built in the eighth century was itself in England. Yet the district as a whole, with its total population of more than 100,000, is not as Anglicised as might be expected, even if the chapel is no longer the force it once was when Wrexham was one of the centres from which Noncomformity spread throughout Wales.

Wrexham has maintained its distinctiveness in other ways too, including—somewhat surprisingly for a once strongly Puritan town—its own drinking tradition. A German migrant who established a chemical works in the district in the 19th century (now owned by Monsanto) built a lager brewery too. As a result, long before the recent rapid growth in lager consumption it was the Wrexham working man's drink, together with beers from the town's remaining independent brewery, Border Ales.

The devotion which in South Wales attaches to rugby is in Wrexham—as in North Wales generally — directed towards soccer. The Welsh representatives in the European Cup-winners Cup on a number of recent occasions, Wrexham last year reached for the first time in its history the second division of the Football League, and has been the scourge of several First Division sides in recent seasons in the FA Cup. Fittingly, the town houses the headquarters of the Football Association of Wales and has been increasinly used over recent years as a venue for international matches.

Wonder

It also numbers among its sons two highly different characters—Judge Jeffreys of the Bloody Assizes fame and Elihu Yale whose money was used to found the American university which now carries his name. Yale in fact incorporates in its main buildings a replica of the tower of Wrexham's most famous building, its 15th century parish church dedicated to St. Giles and counted as one of the seven wonders of Wales.

But while Wrexham is in many ways a town on its own, it is linked to other parts of Wales by chronic unemployment, as has been recognised by the recent Government decision to upgrade the level of incentives available to industry settling in the area.

While in Britain as a whole the move was towards reducing the geographical coverage and value of regional grants, Wrexham, with more than 13 per cent of its population out of work, was transferred from development area to special development area status and can now offer grants as high as those available anywhere in Britain.

The problem in Wrexham has been the rundown of traditional industries and of mining in particular. Employment in primary industry in the district has shrunk from 7,000 in 1961 to only around 1,000, and the area now contains only one colliery—Bersham. There have been substantial reductions too in the numbers employed in other traditional industries in the area. New building methods and new materials have hit, for example, the once large tile and brickmaking activities of Wrexham, and tanning—Wrexham's biggest industry before the start of coal production—has also shrunk.

About 10 per cent of the labour force at the British Steel Corporation's Shotton works on Deeside, where steelmaking is due to end next year with the loss of more than 6,000 jobs, also comes from Wrexham, so that another major threat to employment in existing industry in the area has begun to loom.

The picture is nevertheless perhaps not quite so gloomy as the bare statistics of unemployment and job loss would suggest, for another of the paradoxes presented by Wrexham is that in the attraction of new industry the town has been remarkably successful.

From being very largely dependent on extractive industries Wrexham has now built up a substantial and diversified manufacturing base which includes many of the leading Continental and U.S. as well as British names. BICC, the electrical group, has two modern cablemaking plants in Wrexham and is now one of Wales's leading exporters. Fibreglass has a glass fibre plant, Dunlop a rubber and plastics factory, Metal Box a plastics packaging plant and Jaeger a clothing factory.

Burlington Schappe, part of the U.S. textiles group, makes worsted yarns in the area; Firestone is in tyre manufacture; ITT in electronic components; Air Products in industrial gases; and Rubery Owen Rockwell—a joint subsidiary of North American Rockwell and Rubery Owen—has a major axle-producing unit.

Other recent projects have been no less impressive. JCB is to make components for its industrial equipment in Wrexham; E. Gomme, the G-Plan furniture group is opening a factory, and Kellogg has sited a major new plant in Wrexham to produce several of it branded cereal lines. Continental Can, the big U.S. can-maker, is also establishing a new UK base in Wrexham, ERF the truck maker is to start vehicle production and Kaiser Aluminium has announced plans for a fertiliser manufacturing unit.

Other major elements in the local economy are GKN, which re-purchased from the British Steel Corporation the Brymbo special steel works, British Celanese, the Courtaulds subsidiary, British Tissues and Monsanto. The town's lager brewery is now owned by Allied Breweries and is one of their main UK production bases.

The factors which have led all these groups to set up in the area differ from case to case but there are some common threads. Even before local government re-organisation in 1974 the former Wrexham Rural District Council had undertaken an extensive programme of clearance at old colliery, brickwork and other derelict sites to make land available and to create new employment near existing settlements. Some of the bigger projects attracted since the war have been accommodated on a huge industrial estate developed by the Welsh Industrial Estates Corporation and its successor the Welsh Development Agency on a former munitions factory site on the outskirts of Wrexham. There has been a contribution too from smaller private developers.

As well as being able to offer land, however, Wrexham has benefited from its geographical position close to the major markets of the North West of England and the Midlands as well as to major ports, and although some graps remain to be filled the area now has good links with the motorway system.

Perhaps most important, Wrexham has traditionally enjoyed very good labour relations and this has been a major factor in encouraging companies to choose the area. Wrexham is also of a size that enables it to avoid many of the problems inherent in big cities while still being able to offer most amenities.

The area is within easy reach of the North Wales coastline and mountains, with Llangollen, host every year to the international Eisteddfod only a mile away. Mold, the county town of Clwyd, lies some 12 miles away and houses a recently-built theatre complex which is on the touring list of Welsh National Opera and various theatre groups.

Wrexham itself now has a major tourist attraction in the shape of Plas Erddig, a 1,900-acre estate and mansion housing a magnificent collection of furniture which was acquired by the National Trust in 1973 and recently opened to the public for the first time.

With the growth of investment by major companies in the district commercial developments have also followed in Wrexham town centre. Redevelopment has taken place in the main shopping streets, and locally owned shops have now been joined by most of the major national chains. The growth of office employment has so far been slow, with Mold instead developing as the administrative centre for Clwyd, an amalgam of the former counties of Flint and Denbigh. Wrexham houses the North Wales headquarters, however, of both the Welsh Development Agency and the Land Authority for Wales and now has its own evening newspaper—the only daily paper published in North Wales.

The problem for the district is that jobs in new industries and in the services have failed to keep pace with losses in older industries and with the manpower reductions which have occurred even in modern processes as companies struggle to improve productivity. Though the industrial mix has improved, too, with the inward investment of recent years the area continues to be over-dependent on sectors which are declining and to be under-represented in those that are growing. Services account for only 45 per cent of employment, compared with more than 50 per cent nationally.

The granting of special development areas status has given Wrexham new weapons with which to tackle these problems, though with the world now entering recession again the investment climate is unlikely to be as favourable even as during the past few years.

Nevertheless Wrexham has shown itself to be capable of both growth and adaptation. If it can continue to strengthen its position as an industrial and commercial base the benefits could ultimately spread across a much wider region of north Wales as a whole.

Rhys David

Tough times ahead for rural areas

THE WARNING by Mr. T. Myrddin Evans, President of the Farmers' Union of Wales, at this year's Royal Welsh Show, that Welsh farming is entering a new and more difficult phase, can be applied to rural Wales generally. The economic and social prosperity of rural Wales these days stands on four pillars—agriculture, tourism, the attraction of light manufacturing industry and, last, local government administration and services. All four sectors face tougher times ahead.

In recent years the Welsh farming industry has felt, with some justification, that it has not reaped the full benefits of adhesion to the Common Agricultural Policy. The use of the green pound mechanism to hold down price guarantees has affected the whole of UK agriculture.

But Welsh farmers have suffered more than most for several reasons: they operate under more difficult conditions; the most profitable crops, notably cereals, are not suitable for most parts of Wales: beef markets have been acutely depressed on occasions by EEC subsidised imports from Ireland; and there is still no common sheepmeat regime.

The 10 per cent devaluation of the green pound conceded by the Government and Brussels this year has eased the immediate pressure on margins. But the parallel strengthening of sterling against other Common Market currencies has effectively removed the room for further manoeuvre through the green pound mechanism which has existed since the UK joined the EEC in 1973. From now on, Welsh farmers' fortunes are more closely tied to those of their continental counterparts in the annual haggle over common farm price levels in Brussels.

This year's near freeze in common prices stemming from the growin gstrength of the consumer lobby and mounting concern at the budgetary cost of the CAP, does not augur well, the industry feel, for its future well-being.

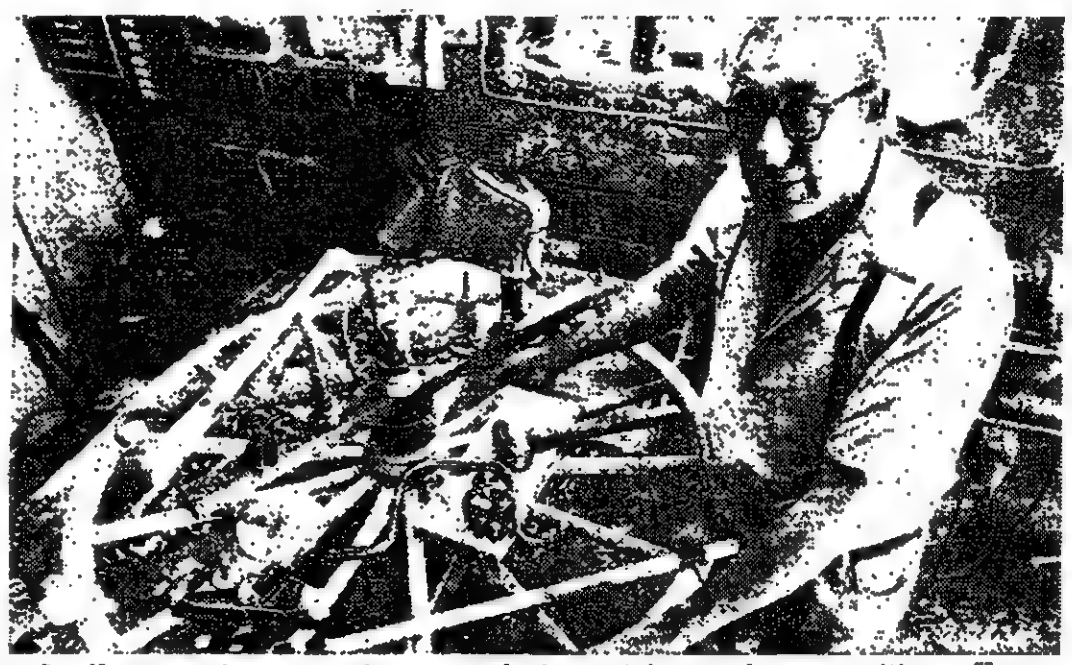
In the pipeline is another steep increase in production costs stemming from the renewed rise in energy prices and the general upsurge in inflation. It will affect not only fuel costs but also the price of most other farm inputs, notably fertilisers.

Timing

The only big consolation on the horizon is the likely setting up of the common EEC sheepmeat regime sometime in the autumn. The exact timing is in the hands of the European Court of Justice but the court is expected to rule against the French Government's present practice of regulating sheepmeat imports as a method of market support for its own producers.

This will force the EEC Council of Ministers to agree on a common sheepmeat policy, providing permanent access for Welsh lamb producers to the most lucrative lamb market in the European Community. If it fulfils its promise, this should help to cushion a very important sector of the agricultural industry in Wales against the steep rise in costs now in prospect.

The changing structure of Welsh agriculture was vividly illustrated recently by the decision of more than 1,000 dairy producers to abandon milk production because of the phasing out of the Milk Marketing Board's churn collection service. The producers concerned—no fewer than 13 per cent of the total though producing only 2 per cent of the output—decided against making the investment necessary to change over to bulk collection by milk tanker, which became obligatory from August 1.



Small enterprises are often enough to sustain rural communities. Here, wheelwright Peter Gibbons is pictured at the Richard Brereton workshop at Painscastle, Powys.

The changes mark the end of an era. The establishment of the Milk Marketing Board in 1933 and the introduction of the monthly milk cheque was instrumental in gradually transforming the traditional Welsh mixed family farm, operating at near subsistence level, into a business. Now the pressure towards more and more specialisation has produced a sharp jump in the overall trend in Wales towards cattle and sheep production at the expense of milk.

The rise in sterling and the renewed energy difficulties are also hitting Wales's all-important tourist industry. At best, this year will see earnings held at last year's level, when about 13m visitors spent about £425m, much of it in areas which have little other economic activity apart from agriculture.

A significant feature of recent years has been the growth in the number of overseas visitors. Thanks to the promotional activities of the Wales Tourist Board increasing numbers from America and the Continent have been diverted away from the tourist "milk run" of London, Stratford-upon-Avon and Edinburgh to enjoy the delights of the Welsh landscape. Such visitors—about 2m last year—have been particularly important to the hotel trade, buoying up the occupancy rate against the general tourism trend towards self-catering holidays.

It is already clear that the strength of sterling will mean fewer foreign visitors this year. Reports of petrol shortages in rural areas have also put off domestic visitors.

The tourist board is hoping that there will be a compensation effect — English tourists who were planning to go to Scotland deciding to take their holidays nearer home instead.

Paradoxically, the worsening general economic climate may also help the Welsh tourist industry. Certainly, the experience of 1975-77 was that Wales became a substitute for many a Continental holiday.

But in present circumstances the industry will be hpply if it holds on to its share of the market. And, in this context, there is some anxiety that the new Conservative Government's public expenditure cuts do not extend to the grants available under section four of the 1969 Tourism Act. These have been of immeasurable importance in modernising Wales's ageing tourist accommodation, much of it built during the first—Victorian—phase in the development of tourism.

Since the scheme came into effect, about £5.2m has been paid out on Welsh tourist investment projects totalling £15.5m. The inclusion last November of the North Wales coast (and the Wye Valley) in the scheme has brought a flood of inquiries for grants from an area which is the most important in Wales in terms of tourist earnings, yet where many resorts need badly to upgrade their facilities.

Of the more immediate concern is the impact of the Government's regional aid cutback on the work of the Development Board for Rural Wales which has achieved notable success in providing new job opportunities to rural communities since it was established 2½ years ago.

Community

Besides bringing new thinking to bear on the exploitation of the natural resources of mid-Wales such as fishing, peat, timber, slate waste and the tourist market, and improving social amenities, the Board has succeeded in letting more than 100 advance factory units to a wide range of light industries.

Most are small enterprises, but a factory employing a dozen people often is enough to sustain a village community in mid-Wales which otherwise would become empty of all but weekend second-home owners.

The cutback in regional aid will leave a large part of the Board's operating area without development area status from 1982 onwards, making it far more difficult to maintain the impetus which has brought new hope to communities which have suffered the ravages of depopulation for generations.

Even before the Government's regional cuts, the task of attracting new jobs to the remoter parts of rural Wales was looking less easy because of the recent steep rise in transport costs and the implementation of EEC regulations which will limit lorry drivers to a maximum of eight hours a day behind the wheel from 1981. Dearer fuel will also put further pressure on the already severely curtailed rural transport services.

Yet perhaps the most worrying development of all for rural Wales is the threatened further large cutback in public expenditure. A major cut in rate support grants combined with a Government switch in emphasis towards helping inner cities will not only weaken Welsh local government but reduce a major source of employment for many parts of rural Wales.

R.R.

LOMBARD

Abolish the home loans cartel

BY SAMUEL BRITTAN

EVERY TIME interest rates rise we have the familiar saga of the Government leaning on *building societies to hold down* mortgage rates. The effect can at best be temporary. For unless interest rates come down or the Government gives a subsidy, building societies must eventually both pay more to investors and charge more to borrowers.

Many people must have wondered why mortgage rates have to be fixed in this way at all. When successive governments have sponsored policies of more competition among financial institutions it is not clear why the system of recommended rates by the building *societies should have remained* intact, and indeed reinforced by official action. As early as 1966 the Aubrey Jones' Prices and Incomes Board found that the system of recommended rates led to margins between *investment and mortgage rates* sufficient to allow the least efficient societies to survive. In 1967 the PIB recommended the abolition of both the clearing bank and the building societies cartel. The bank cartel went when Competition and Credit Control was introduced in the early 1970s; yet the system of recommended building society rates, which covers the great bulk of investors and borrowers, leads a charmed life.

Competition

These facts are recalled in an Institute of Economic Affairs Paper (**The Building Society Price Cartel**, by T. J. Gough *and T. W. Taylor) published* today. The Paper recommends the abolition of the cartel on the grounds that its abolition would lead to keener rate competition both for investors' funds and for mortgage business. It would *also end the periodic alternation* of feast and famine in the mortgage market.

All this needs saying very loudly. But the most interesting feature of the IEA Paper is what it reveals about political *economy of government* intervention. In fact the losers from holding down mortagage rates far outnumber the gainers. There were in 1977 only 4.6m borrowers, but 20 million share accounts with the building *societies*. Indeed the staggering proportion of almost half of all personal savings, is held with the societies. About 70 per cent of these savings are held by people over 55 and almost one-fifth by people not liable to income tax.

Holding down the returns of a large number of older people of modest means to benefit a minority of borrowers, whose incomes tend to be above aver*age, may seen a peculiar form* of social redistribution. The political logic of this is in the assumption that building society savers are elderly, set in their political ways, and not too inclined to switch either their political allegiance or their financial portfolio.

By contrast borrowers tend to be young, politically volatile and in the early years of their repayment vulnerable to swings in rates. But even among mortgage holders, political intervention to hold down rates is discriminatory. The losers are potential mortgage holders *turned away by societies applying* excessively strict criteria to ration funds. The gainers are existing borrowers, and those new borrowers who succeed in running the scrutiny gauntlet. Here it is a majority exploiting *a minority and in the process* making society less mobile and adaptable to stresses and changes in personal needs.

Privilege

The question arises whether reform should be limited to ending the cartel; or whether *the privileged position of one* form of financial institution at the expense of others, related to their Friendly Society basis should continue. If other organisations, including avowedly profit-seeking ones, could compete on equal terms we might see a much more imaginative development of instruments on both the borrowing and lending side. The irritation of borrowers at having to pay fluctuating rates is *understandable enough even* with the option to extend the term of their mortgage.

Much of the political clamour arises from the fact that although home purchasers have been able to borrow at a negative real rate of interest to purchase an asset appreciating in real terms, there is nevertheless a heavy concentration of the financing burden in the early years of a mortgage. Even without formal indexation, "low start" mortgages would relieve some of the pressure.

The point of these observations is not to prescribe particular alternative patterns. It is merely to suggest that competition among profit-making institutions, subject to normal consumer protection laws, is as suitable for home finance as for most other things. Housing is not a special case in the way medical treatment arguably is.

European law creeps into English practice

THE WEEK IN THE COURTS

BY JUSTINIAN

FOR MORE than five years now the legal profession has been learning gradually to adapt itself to a new dimension in the law brought about by our accession to the Treaty of Rome. Lawyers in increasing numbers have *begun to speak the language of* Community law, to talk of Community rights and obligations, and to apply them to a whole range of disputes. A whole new system of law has crept into the English legal ethos.

Familiarity with the provisions of the Treaty of Rome and the myriad directives and regulations that have poured out of the Council and Commission in Brussels has been promoted by the contact of British lawyers with the EEC's main legal institution, the European Court of Justice at Luxembourg. In the early days following accession few barristers and solicitors seized the opportunity of raising points of Community law in *English litigation*. But the experience of a handful of enterprising practitioners seaped through. In the last fortnight of the law year just ended no fewer than five cases have either been referred to Luxembourg for a preliminary ruling on a point of EEC law or are potential candidates for early refer*ence*.

A magistrate at Pontypridd has referred an important point affecting the whole of our immigration process as it affects EEC nationals. The Divisional Court has sent a case concerning the *procedural safeguards necessary* before a deportation order can be made against a migrant worker who was recommended for deportation by an Old Bailey judge five years ago. The Court of Appeal has sent an equal *pay case to Luxembourg the* first time Lord Denning has made a reference. A second equal pay case concerning pension schemes is under judgment in the Court of Appeal but is thought likely to find its way to *the European Court. And Lord* Bruce of Donnington is expected to ask the Commissioners of Inland Revenue to refer his claim to exemption to tax on his expenses as a British representative to the last European *Assembly. A reference* by the House of Lords earlier this year on the import control of Pornography will be heard at Luxembourg on September 25. More cases are in the pipeline, at least one from a National Insurance *Commissioner*.

This burgeoning of EEC law into our national legal system has been immeasurably advanced by the personal contact of English lawyers with the legal process at Luxembourg. As English lawyers appeared before the European Court and relayed their experiences back home, so the incoming tide of EEC law has engulfed their professional colleagues. But there are lawyers who have remained insularly remote from the development in Europe. They have actively demonstrated both their misunderstanding of the European Court's jurisdiction and an unwillingness to participate in the new European legal spirit that has been fostered by the few ardent Europeanists. It is another, albeit minor, sign that Britons are not wholeheartedly committed to the European venture.

The backsliding in the European movement is exemplified by no less a body than the Law Society, the professional body for 30,000 solicitors. That body has been responsible for administering the civil legal aid ever since its inception in 1950. More than two years ago the Lord Chief Justice, Lord Widgery, ruled that a legal aid certificate granted for the purpose of proceedings before an English court covered any proceedings before the European Court of Justice when the national court referred a point of Community law to Luxembourg.* Counsel for the Law Society at that time sounded a warning note that Lord Widgery's ruling did not necessarily mean the legal aid fund would meet the costs of sending counsel and solicitors to the oral hearing at Luxembourg. And the Lord Chief Justice confirmed that his ruling was only on the question of principle. He left to the legal aid authorities the issue of the precise costs to be covered.

That warning has recently been translated into hard reality. The Law Society has declared as a matter of policy that only in very rare cases will the legal aid fund pay for the attendance of counsel or *solicitors at the oral hearing*.

In effect, the valuable contact of English lawyers with the Court process is to be denied in those cases where the national litigation is state-aided as the European Court does not operate any system of legal aid for national litigation. The legally-aided litigant is also denied his lawyer's advocacy against his opponents.

The Law Society maintains *that in cases before the European Court*, written representations are of much greater importance than oral representations. It adds that the only circumstance that would justify representation at the oral hearing would be if all the other parties—the opposing litigant, the European Commission and any member-State that had put in written observations on the case—were ranged against the legally-aided litigant. That circumstance, the Law Society concludes, is likely to be rare. The reasoning displays an appalling lack of knowledge about the *procedure before the* European Court and will only do harm to the image of the English legal profession. English barristers are held in high esteem by the judges of the Court. They have privately *indicated how much they value* the good advocacy which the British lawyers have exhibited compared with their European counterparts.

While it is true that heavy reliance is placed on written pleadings, the oral hearings are far from being a formality. Once a reference is registered at Luxembourg, the parties to the litigation, the European Commission and any of the governments of the nine countries that wish to participate are given two months in which to lodge their written observations. Once lodged, these are circulated among the participants, but no opportunity is afforded of countering anything said by another party until the oral hearing.

The oral hearing is intended to be short although no actual time limit is imposed, such as is the practice before the *Supreme Court of the United* States. The parties can not only deal with fresh matters that arise from the written observations or correct something said in them, but also have the opportunity of seeing and commenting on for the first time the observations of the *juge-rapporteur*. He is a member of the Court who is *deputed to summarise* the arguments from the written observations and distil the points of law for the court's determination.

In the Court's early days there was virtually no questioning of counsel by the judges. Now the Court has begun both to ask questions at the end of counsel's submissions and even intervene during the course of those submissions in the best Anglo-Saxon tradition. Those *who have experienced* the process testify unanimously to the benefit of arguing orally in support of the written brief.

As the British influence on the Court increases (as it undoubtedly will) so the written and oral representations will provide a satisfactory forensic alchemy in a system of justice that is heavily pressed with the growing volume of work. It would be a pity if that desirable process were to be hindered, however peripherally, by an obscurantist policy on the part of the legal aid authorities in Britain. *Indeed, the European* Court may regard the Law Society's action as an indirect interference with the procedural law for making references to Luxembourg.

** R v. Marlborough Street Stipendiary Magistrate, ex parte Bouchereau [1977] 1 C.M.L.R. 269.*

Jonjo O'Neill looks good bet for National Hunt at 6-4

RACING

BY DOMINIC WIGAN

MORE INTEREST can seldom have been aroused in the fate of the two important jockey championships, and it is not surprising to find bookmakers again eager to let punters dive into waters that have almost always proved tricky in the *past*.

The 1978 Flat Season saw the odds-on Pat Eddery having to concede *his title to* Willie Carson; and in the last jumping campaign, Jonjo O'Neill (at almost equally cramped odds) was almost knocked out of the reckoning early on through injury.

Carson is generally quoted at evens to retain the Flat title, with Pat Eddery at 13-8 and Joe Mercer 3-1. O'Neill is obtainable at 6-4 for the National Hunt Championship, followed by J. Francome (13-8), T. Carmody (9-2), R. Lamb (8-1), N. Tinkler (16-1), C. Tinkler (25-1), S. Smith Eccles (33-1) and Bob Davies (50-1).

Although few will forget Scobie Breasley, when a grandfather and a few months short of his 50th birthday, holding off a dramatic late bid by Lester Piggott, it seems improbable that such a fairy-tale climax to the current season will await Joe Mercer.

Henry Cecil's highly experienced and canny rider still leads the table but few of his successes have been achieved from "outside" rides. The phenomenal flow of winners from Warren Place must surely dwindle shortly and then a very different complexion will be put on events.

The lightly weighted Carson, always in demand when not required by Dick Hern, and Eddery, who has, remarkably, kept in touch in spite of the fate of Seven Barrows, should quickly begin to dominate.

In the belief that Peter Walwyn's string may at last be over the worst as far as the virus is concerned, and that Seven Barrows will field many of lightly raced runners in the autumn, I would not care to oppose Eddery.

Provided that Jonjo O'Neill—without doubt in my mind the *outstanding jump jockey of recent years*—suffers no similar lay-off this season, the National Hunt Championship should be a formality. Six to four against that possibility should be taken.

RIPON
2.30—Athford***
3.30—Top Call**
5.00—Carnival Dance

WOLVERHAMPTON
6.05—General Sovinski
6.30—Secret Minstrel*

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University. 9.40 Roobarb. 9.45 Jubilee Jackanory. †10.00 Felix the Cat. 10.10 Why Don't You ...? 10.35 Alarm on the Danube Delta (film from Romania). 11.25 Cricket: 2nd Test: England v India. 1.30 pm Trumpton. 1.45 News. 2.05 Cricket: Second Test. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Jigsaw. 5.10 Big John, Little John. 5.35 The Wombles.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Kick Start.
6.50 Ask the Family.
7.15 Explorers of the Deep.
8.05 "Raintree County," starring Montgomery Clift and Elizabeth Taylor.
9.00 News.
9.25 "Raintree County" (continued).
11.10 World of Panorama.
12.00 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Scotland—5.55-6.20 pm Reporting Scotland. 12.00 News and Weather for Scotland.

Wales—1.30-1.45 pm Pili Pala. 5.55-6.20 Wales Today. 6.50-7.15 Tomorrow's World. 11.10 Eisteddfod '79. 11.50 News and Weather for Wales.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.00 News and Weather for Northern Ireland.

***England**—5.55-6.20* pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School (as BBC-1 4.20 pm).
4.30 pm Cricket: Second Test—England v. India.
6.30 Open University.
6.55 Pick of the Philpott File.
7.45 Mid-evening News including sub-titles.
7.55 For Valour.
8.10 The Waltons.
9.00 T. J. Thorpe Sings Country.
9.25 Inside Story.
10.15 Best of Brass.
10.50 Return Call to Brass Tacks.
11.00 Late News.
11.15 Cricket: Second Test highlights.
11.45 Closedown reading.

BBC-2 Wales only—2.30-4.30 pm Eisteddfod '79 live from the Field.

LONDON

9.30 am Beyond The Moon? 10.00 Open Air. 10.30 Cartoon Time. 10.40 The Coral World. 11.30 Caring for History. 12.00 Jamie and the Magic Torch. 12.10 pm Once Upon A Time. 12.30 Emmerdale Farm. 1.00 *News plus FT index*. 1.20 Thames News. 1.30 All About Toddlers. 2.00 Rumpole of the Bailey. 3.00 Monday Matinee: "The Day The Earth Moved." 4.20 Clapperboard. 4.45 Why Can't I Go Home? 5.15 Survival.

5.45 News.
6.00 Thames News.
6.05 Thames Report: The London Olympics.
6.35 Crossroads.
7.00 Oh Boy!
7.30 Coronation Street.
8.00 Spooner's Patch.
8.30 World In Action.
9.00 Best Sellers.
10.00 News.
10.30 Best Sellers (continued).
11.15 The Sweeney.
12.15 am Close: Sydney Tafler reads a personal choice of poetry and prose.

All IBA Regions as London except at the following times:—

ANGLIA

10.30 am Andy's Party. 10.55 Weir's Way. 11.20 The Paper Lads. 11.45 Oscar. 1.25 pm Anglia News. 2.00 Houseparty. 2.25 The Love Boat. 3.20 Rumpole of the Bailey. 5.15 Get Some In. 6.00 About Anglia. 11.15 Doctor's Private Lives. 12.15 am Reflection.

ATV

10.30 am Dick Tracy. 10.35 Sesame Street. 11.35 Ghost Busters. 1.20 pm ATV Newsdesk. 3.00 Movie Matinee: "The Mark of Zorro." 5.15 Survival. 6.00 ATV Today. 11.15 Police Surgeon. 11.45 Something Different.

BORDER

10.30 am Andy's Party. 10.55 Weir's Way. 11.20 The Paper Lads. 11.50 Oscar and the Great Wooferoo. 1.20 pm Border News. 2.00 Houseparty. 2.25 *Fireside Theatre*. 3.20 *Rumpole of the Bailey*. 5.15 Cabbages and Kings. 6.00 Lookaround Monday. 6.20 The Sound of ... Marian Montgomery. 11.15 The Do-Gooders. 12.00 Barney *Miller*. 12.30 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News and What's on Where. 3.00 The Monday Matinee: McCloud. 5.15 Cabbages and Kings. 6.00 Channel News. 6.10 The Beverley Hillbillies. 10.28 Channel Late News. 11.15 Fantasy Island. 12.10 am *News and Weather in French*.

GRAMPIAN

9.35 am First Thing. 10.30 Mr. John Green Gold. 10.55 Weir's Way. 11.20 The Paper Lads. 11.50 Oscar and the Great Wooferoo. 1.20 pm Grampian News Headlines. 3.00 Monday Matinee: "The Desperate Miles." 5.15 Out of Town. 6.00 Grampian Today. 6.05 Flair. 11.15 Reflections. 11.20 Survival Special. 12.20 am Grampian Late Night Headlines.

GRANADA

10.30 am Sesame Street. 11.25 Valley of the Dinosaurs. 11.45 A Handful of Songs. 1.20 pm Dick Tracy. 3.00 Monday Matinee: "The Specialists." 5.10 Felix the Cat. 5.15 Crossroads. 6.00 Granada News. 6.05 The Rohde Reports. 6.30 Get Some In. 11.15 Colgate World Mixed Golf Championship.

HTV

10.30 am Andy's Party. 10.55 Weir's Way. 11.20 The Paper Lads. 11.45 Oscar and the Great Wooferoo. 1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 3.00 The Monday Matinee: "Sidekicks." 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.22 Report Wales. 11.15 Michel Legrand and Friends.

HTV Cymru/Wales. As HTV General Service except: 10.30 am Eisteddfod Genedlaethol 1979. 1.20 pm Penawdau Newyddion y Dydd. 6.00 Y Dydd yn y Brifwyl. 6.30 Yr Wythnos. 11.15 Sywyd (discussion on Welsh books).

HTV West. As HTV General Service except: 1.20 pm Report West Headlines. 6.22 Report West.

SCOTTISH

10.30 am Andy's Party. 10.55 The Castaways. 11.20 The Paper Lads. 11.45 Oscar. 1.25 pm News. 3.00 *Monday Matinee: "Art of Crime."* 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today—Summer Extra. 6.30 Crimedesk. 6.45 The Sounds of ... Guys and Dolls. 11.15 Late Call. 11.20 Colgate World Mixed Golf Championship.

SOUTHERN

10.30 am Andy's Party. 10.55 Weir's Way. 11.20 The Paper Lads. 11.45 Oscar and the Great Wooferoo. 1.20 pm Southern News. 2.00 Houseparty. 2.25 The Love Boat. 3.20 Rumpole of the Bailey. 5.15 Dick Tracy Cartoon. 5.20 Crossroads. 11.15 Southern News Extra. 11.25 Electric Theatre Show. 11.55 Farm Progress.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 10.30 Andy's Party. 10.55 Weir's Way. 11.20 The Paper Lads. 11.45 Oscar and the Great Wooferoo. 1.20 *pm North East* News and Lookaround. 13.00 Monday Matinee: "The Straw Man," starring Dermot Walsh. 5.15 The Best Dinon in Town. 6.00 Northern Life. 11.15 Jazz *Night*. *12.00 Police Surgeon*. 12.30 am Epilogue.

ULSTER

10.30 am Andy's Party. 10.55 Weir's Way. 11.20 *The Paper Lads*. 11.45 Oscar. 1.20 pm Lunchtime. 3.00 Monday Matinee: "Blood Sport." 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Ulster Television News. 6.15 Family Matters. 6.30 The Mary Tyler Moore Show. 11.15 Colgate World Mixed Golf Championship. 12.15 am Bedtime.

WESTWARD

10.30 am Andy's Party. 10.55 Weir's Way. 11.20 The Paper Lads. 11.45 Oscar and the Great Wooferoo. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 3.00 The Monday Matinee: McCloud. 5.15 Cabbages and Kings. 6.00 Westward Diary and Sports Desk. 10.28 Westward Late News. 11.15 Fantasy Island. 12.10 am Faith For Life. 12.15 West Country Weather, Shipping Forecast.

YORKSHIRE

10.30 am The Herbs. 10.45 Canada—Five Portraits. 11.35 The Roman Holidays. 1.20 pm Calendar News. 3.00 Untamed Frontier. 3.25 Stars on Ice. 3.50 The Sullivans. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont eds). 11.15 The Do-Gooders. 12.00 Barney Miller.

Radio Wavelengths

1 1053kHz/285m 1089kHz/275m	3 1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
		Capital Radio: 1548kHz, 194m & 95.8vhf
2 693kHz/433m 909kHz/330m & 88-91vhf stereo	4 200kHz/1500m & 92-95vhf	London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡ Medium wave

5.00 am As *Radio 2*. 6.00 Andy Peebles. 9.00 Simon Bates. 11.00 Radio 1 Roadshow. 12.30 pm Newsbeat. 12.45 Peter Powell. 2.00 Tony Blackburn. 4.31 Kid Jensen. 7.00 *Stayin' Alive*. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Tony Brandon (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.15 David Hamilton (S). 4.15 Much More Music (S). 5.00 News. 5.05 Waggoners' Walk. 5.20 John Dunn (S). 6.45 Sports Desk. 7.02 Music from the Movies (S). 7.30 Sports Desk. 7.33 Alan Dell with 7.? The Dance Band Days and 8.02 ? Big Band Sound (S). 9.02 Humphrey Lyttelton with the Best of Jazz on records (S). 9.55 Sports Desk. 10.02 Funny You Should Ask. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music with Patrick Lunt (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture, part 1 (S). 8.00 News. 8.05 Overture part 2 (S). 9.00 News. 9.05 This Week's Composer: Schutz (S). 10.00 String Quartets and Piano Music (S). 11.25 Cricket, Second Test—England v India, including 1.35 pm News. 1.40 Your Letters Answered. 2.00 Lunchtime Scoreboard. 6.40 At Home. 7.10 Pied Piper (S). 7.30 Proms '79 Schumann, Scenes from Goethe's "Faust," parts 1 and 2 (S). 8.35 The Living Poet: Geoffrey Hill. 8.55 Proms '79 Faust, part 3 (S). 9.45 Bliss (story by Katherine Mansfield). 10.05 Heinz Holliger plays Griun (S). 10.35 Schubert and Rawsthorne Violin and piano recital (S). 11.25 Jazz in Britain (S). 11.55 News.

VHF with Medium Wave above except 6.00-7.00 and 11.25 am-7.10 pm as follows. 6.00 am Open University. 11.25 Phyllis Ervn-Julsen Song recital (S). 12.15 pm Mozart and Mahler concert, part 1 (S). 1.00 News. 1.05 Concert part 2 (S). 2.05 Music for Organ (S). 2.55 Matinee Musicale (S). 3.55 New Records (S). 5.45 Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 *News Headlines*. 7.45 *Thought for the Day*. 8.45 "The Enchanted Places." 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 *Wildlife*. 10.30 Daily Service. 10.45 Morning Story. 11.00 Just Plane Chaos: Investigation into air traffic control. 11.45 Listen with Mother. 12.00 News. 12.02 pm You and Yours. 12.27 *Brain of Britain 1979* (S). 12.55 Weather: programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 *Afternoon Theatre*. 4.35 *Story Time*. 5.00 PM News Magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 I'm Sorry I haven't a Clue (S). 7.00 News. 7.05 *The Archers*. 7.20 *From Our Own Correspondent*. 7.45 The Monday Play (S). 9.15 Many Happy Returns. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Charlton Interview. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Unforgettables. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 7.03 Black Londoners. 8.00 Breakthrough. 10.03 Late Night London. 12.00 As Radio 2.

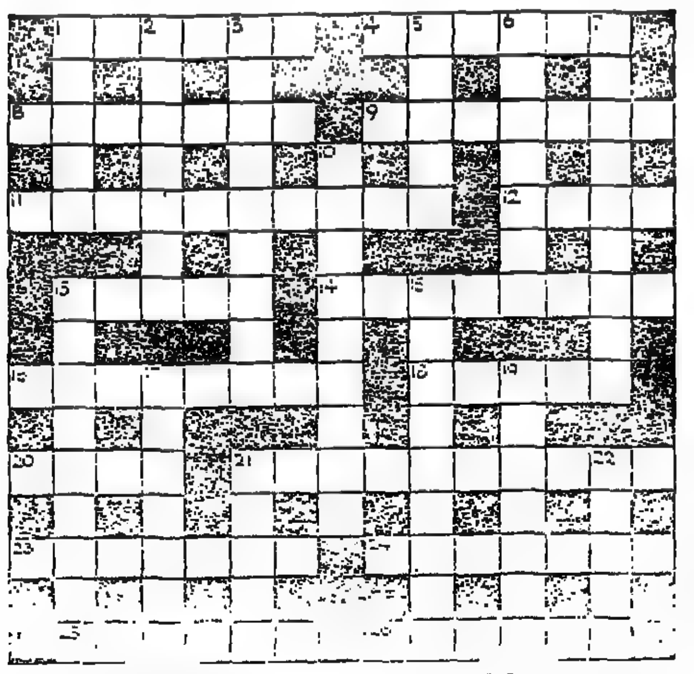
London Broadcasting

5.00 am Morning Music. 6.00 The AM Show. 10.00 Open Line. 1.00-8.00 pm LBC Reports with George Gale at 3.00. 8.00 After Eight. 9.00 *Nightline*. 12.00 LBC Reports. 1.00 am Night Extra. 4.00 Monty at Large.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Mike Smith (S). 12.00 Dave Cash (S). 3.00 pm Peter Young (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 *Alan Freeman* (S). 11.00 Mike Allen's Late Show (S). 2.00 am John Sachs's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,040



ACROSS

1 Something very slight to record (6)
4 Sounds a real worker, but he takes French leave (6)
8 *Hurries* behind a woman's skirts (7)
9 The tenant about one lives on invested capital (7)
11 Give a hint about the same cow (10)
12 Shelter one half-famished (4)
13 Fanatic returns to Gibraltar (5)
14 Novel set round the girl friend's place (4, 4)
16 Know the tune for a climber (8)
18 Dance for a bachelor with spirit (5)
20 A river appearing in Paradise Regained (4)
21 Casts doubt on the truth of the account (6, 4)
23 "Come, my ——, come, *let's go a-Maying* (Herrick) (7)
24 Go, angel, in eternal change (7)
25 Station us in college (6)
26 Expresses conditions in America (6)

DOWN

1 Grieve for a Scotsman about the city (5)
2 It may get you a catch, but it is clearly a poor return (7)
3 "Now is —— of our discontent" (Richard III) (3, 6)
5 It's ruff about mother (5)
6 Can you make a mechanic of Sinatra? (7)
7 Dates here perhaps between Africa and Arabia (3, 3, 3)
10 Stamps of authenticity given by an evangelist in rooms (9)
13 Fiery accompaniment prophesised for unbelievers (9)
15 Weighs little, but it gives the signal (4, 5)
17 *Bathe up in the hills* and see the boat-races (7)
19 The sailor is a friend to many (7)
21 Heather, love, that's jargon (5)
22 Connections, of course, for *golfers* (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

THE ARTS

Glyndebourne

La fedeltà premiata

by MAX LOPPERT

Nicholas Braithwaite has taken over as conductor for the last four performances of the new Hadyn production at Glyndebourne. He is already a seasoned opera conductor in his own right, and at the second of those four performances, last Friday, the task of inheriting an already routined reading was made to seem far-less-thankless than it often can. Musical standards were very high—the tone of the London Philharmonic Orchestra was buoyant, colourful, and well-placed. under the voices, support for the singers was mostly steady. the pacing was brisk. Even, once or twice, a little too brisk: the movement from the Symphony No. 63 that serves (properly) as overture and (improperly) as ballet music in the second act whizzed along—the larking about on stage may have encouraged Mr. Braithwaite to drive the music hard the second time around, but what was the excuse the first?

About John Cox's production, a polished, decorative entertainment that has been grafted on to Haydn's opera, I have mixed feelings. Undeniably, it merits those adjectives, and those who have previously encountered Haydn operas only in less deft stagings owe the producer a debt of gratitude. But the trappings of house-party fancy dress in which the opera has been wrapped soon hint at a lack of confidence in the very operaticness of the basic material, a feeling that inevitably communicates itself to the spectator. Perhaps the trappings were less extravagantly displayed earlier in the season; on Friday, the tone of much of the comic playing was pitched rather high, and at least two of the cast—Sylvia Lindenstrand (Amaranta) and Thomas Allen (Perruchetto), both of them singing actors normally to be relied upon for performances of discipline as well as of strong character—had gone way over the top. One fell gratefully on Julia Hamari's beautifully poised portrait of Celia, her lambent yet agile line, the richly emotional quality of her timbre; for there was a glimpse therein of the more serious comedy of feelings somewhat obscured in Mr. Cox's elegant charade.

Albert Hall/Radio 3

Roger Woodward

by RONALD CRICHTON

Saturday's prom, with the Royal Philharmonic Orchestra under Lawrence Foster, brought Roger Woodward as soloist in two works for piano and orchestra. Schoenberg's Concerto is not an obvious companion for Liszt's *Totentanz*, and neither work is strictly speaking popular, yet the hall was nearly full. Of the Schoenberg the artists gave a performance both illuminating and enjoyable in a way not to be taken for granted with that master's larger, mature scores. Lyrical and dramatic expression (there is plenty of both) were paramount, lines were strong and sensitive, the peculiar, acrid yet not unfriendly colour of the music was surely applied. Comparisons of Schoenbergian texture with Expressionist painting are a cliché but they will come and they did.

Liszt's extended, gleefully *sulphurous* "Danse macabre" *came* off less well. Mr. Woodward produced quantities of big but not clattery tone. He made striking effects like the prolonged sustaining of the piano chord after the orchestra breaks off at the end of variation 3. He made it clear that in the exploitation of percussive effects, Liszt's piano writing in this work is more novel than Schoenberg's more traditional style—which of course does not make the *Totentanz* in any important sense more "modern" than the Concerto. But there were course and clumsy pages, like the end of the cadenza, while in general Mr. Woodward made a series of furious rushes at the music like a dog attacking an intruder. Liszt needs a sense of gradual unfolding as much as Schoenberg, and needs it even when his felling for Italian cantilena is as much obscured as it is here.

At the beginning Mr. Fister and the RPO induced good humour and wakeful concentration with a reading of Haydn's Symphony No.97 in C so luminous and well-pointed that the work only began to seem wholly familiar in the finale. For perfection the speeds of minuet and trio might have been more contrasted (the trio more lazy), but such things as the flutes' ghostly doubling of the violins in the slow introduction do not often tell so clearly in this hall.

Wigmore Hall

Moore's Young Almanac

The Young Moore was Gerald, the unashamed accompanist to whom we owe more than that description implies, who now pretends to be 80 years old. The Almanac was the Songmakers', the group of young singers founded by the pianist Graham Johnson, who is set fair to become an accompanist of comparable distinction to Moore. The concert last week was a birthday tribute, with the guest of honour in attendance and every seat sold.

The programme, devised by Mr. Johnson with typical ingenuity, ranged over Gerald Moore's life, extra-favourite composers and, as he calls the cream of the cream of great singers with whom he has worked, his "beloveds." There were recordings from the past, with John Coates, Gerhardt and Flora Nielsen, recorded messages from the present, from Schwarzkopf, Baker and Fischer-Dieskau. Composers glimpsed, sometimes briefly, were Schubert, Schumann, Brahms, Wolf and Strauss, who was given the last word. There were many others, some of them unexpected. The Songmakers like to work in songs from revues, musicals or cabaret. No harm at all in reminding audiences how good (and rare) good light music is. But the mixture doesn't work easily and they still don't quite bring it off, doing the light numbers at once too well and not quite well enough. A sort of prissiness creeps in.

For the nature of the occasion, the amount of punning and oh so harmless, everlastingly awful, English whimsy might be forgiven. With it, and fortunately not drowned in it, was some excellent music-making by Felicity Lott, Anthony Rolfe Johnson and Richard Jackson. Ann Murray was announced but unable to appear. Graham Johnson not only played (giving a memorable reading of the fearsome piano part of Schubert's "Auf der Bruck") but compered. Readings, from Mr. Moore's books and other sources, were shared. Timing was faultless: the switches from song to speech to tapes and back again went with perfect smoothness.

RONALD CRICHTON

Scene from 'It's Rain and Shine Together'

Budapest

Domestic films and playwrights

by FRANK LIPSIUS

When Hungarians discuss the theatre, they discuss Hungarian theatre. But when they talk about films, they mean American films. They joke about how little they go to the films of their own country. Last year, on a brief trip to Budapest, my wife and I rushed to catch an early evening showing of *The Hungarians*, a film based on a popular Hungarian novel. The two of us were half the audience in a rather large cinema in the centre of Budapest. The Americans nominated it this year for an Oscar as best foreign film, but I doubt that any more Hungarians went to see it.

Recently, though, Hungarians were queuing up for a domestic film, Peter Bacso's *The Witness*, which was bound to attract attention, as it had never been shown since completion in 1968. Even now, it had only a one-week engagement in Budapest, a strategy that made it all the more attractive. Everyone was talking about it, and not just because they wanted to see it. A vociferous minority objected to its making fun of the Stalinist days of the early '50s in Hungary, a legitimate complaint considering the horror of the time and the hero's ability to get away with so much.

He may get put in jail, as happens more than once, but the jails look almost more inviting than the new Budapest Hilton. The hero's offences are either more serious than the film allows, as his hoarding food in his cellar, or ludicrous, as his forcing a guard to open a public swimming bath to a crowd of waiting children while a government official is inside swimming alone, surrounded by armed guards. Other peccadilloes along the way include his dog's urinating on a sign lauding the Socialist revolution and mention of the "Hungarian oranges," when the government planted lemons to see whether they could prosper in this inhospitable climate of Hungary. (They couldn't.)

Other films, while not so popular in Hungary, are doing a better job of exploring that dark era of the recent past. *The Stud Farm* by Andras Kovacs concerns a persecuted minority—the officers of the previous regime who were used as horse trainers while their families got dispersed into unknown parts of Hungary. The men's unwillingness to co-operate with the inept Party man sent to manage the farm appears perfectly reasonable, especially when the manager's naive assurances and confidence reflect his own ignorance of Party machinations. The manager's older brother, a more important politician who runs a co-operative farm, has a glimpse of what is going on when he is sent to pick out an agricultural expert from a prison labour camp. His warnings to his brother go unheeded—or, rather, uncomprehended.

The film, meant to be shown at the Berlin Film Festival, was a victim of the controversy over *The Deer Hunter*, and the Hungarians withdrew it before it could be shown. It has not had the exposure of a lauded, but less subtle, Hungarian film, *Angi Vera*, which among other venues appeared in Edinburgh. Where *Angi Vera* shows how a naive and well-meaning orphan could have been seduced into Party service and acceptance of its hypocritical pieties, *The Stud Farm* puts the manipulation at one removed from the principals of the story, thus recreating numerous layers of deception, insecurity and fear.

Among films with a contemporary setting, *It's Rain and Shine Together* appears at first to be just a lighthearted look at a Hungarian national holiday, especially in comparison to *Family Nest*, which sounds an alarm about present housing shortages in Hungary. To start with Lajos Koltai has photographed the country setting of the festivities with a flair for colour and some arty close-ups that are not at all out of place. When Jolan invites her boss, a government minister, and his family to her parents' home for the holiday, all the preparations have to be done with extra care. The three generations living in the house are mobilised by Jolan's sister-in-law, who invents lofty ambitions for her children because she assumes the visiting official can do everything to help them. Her nervous anticipation of the visit makes the preparations hectic, carefully observed to the point where my wife got a strudel receipe out of the film.

The cleaning, cooking and other domestic chores that comprise the bulk of the film do not stay interesting quite as long as the director and co-writer Ferenc Andras would have hoped. But to compensate, there is the detailed portrait of an ill, overworked, unhappy governments with equal distaste. The food and his hostess's blandishment with equal distaste. The physical labours of the country family seem so much more taxing than the minister's efforts to be appreciative that the film ends up with a subtlety almost wholly out of keeping with its subject matter. The family has the normal expectactions of omnipotence from a powerful man, while he turns out to be among the new breed of weary bureaucrat, recognizable worldwide but rarely as well presented as this.

Family Nest uses the familiar *Hungarian technique of giving a* sketchy plot to amateur actors, who then ad lib most of the dialogue. The black-and-white film by Bela Tarr convincingly blames Hungarians' domestic problems on their inadequately met housing needs, using the example of a couple's sharing their one-room flat with their daughter-in-law and granddaughter while their son is in the army. The head of this cramped household has no sympathy for his daughter-in-law, blaming her for a multitude of sins of omission and commission. Not surprisingly, she bridles at his criticisms and prerogatives as head of the house. The film has little action, apart from one awkward but jolting rape scene, and makes no pretence of artiness, just letting the articulate family members fight out their differences in front of the camera.

Beautifully composed, arty films are the trademark of Pal Sandor, whose latest, *Deliver Us From Evil*, goes back to pre-war Hungary. Based on an unsuccessful play, the film overcomes a rather silly plot about a stolen coat to focus on the naked barbarity of the time. One of Hungary's great acresses, Iren Psota, plays a cloakroom attendant searching for the lost garment through the demimonde of Budapest. Much of the action takes place in an underground whore-house, where the depravity matches the outside world of bombed out sites, police brutality and casual murder. Moulding such a subject to Sandor's sensibility seems an unnecessarily taxing assignment, but he manages it with characteristic style.

With the season over, conversation about Hungarian theatre turned to Hungarians' contribution to playwrights world-wide. One of the major developments at the Congress of the International Theatre Institute, held in Sofia, Bulgaria, came out of a playwright's conference in Budapest last December. The Congress resolved to set up playwrights' centres in each national institute, while Budapest would become an international centre where a bank of plays would be gathered and then distributed to all members. Each year, the national centres will send two plays in French or English to Budapest, and the Hungarian centre will have them copied and sent out.

In addition, the playwrights' centres will begin to collect information about contracts and playwrights' protection in all countries, with the hope of collating the material and strengthening the bargaining position of playwrights in their own countries. The published report of the playwrights' conference reveals a fascinating range of concerns, from the inadequacy of Africans' using language adopted from their former colonial masters to French directors' preference for dead authors who can no longer object to the manipulations of their texts.

In recognition of the Hungarians' contribution to this undertaking, Istvan Orkeny was nominated as an officer of the playwrights' group. His death one week later was mourned not only in Hungary, but also among all writers who admired the range of styles in which he expressed his deep humanism, turning local subjects into plays of international stature. It was understood that he was delighted with the nomination, which in the end served at least as a final tribute to the author of *The Tot Family* and *Cat's Play*.

Busseto

Verdi's town

by WILLIAM WEAVER

An early, little-known biographer of Verdi, Oreste Boni, whose *Giuseppe Verdi* was published in Parma in the year of the composer's death, wrote: "... it is not permissible to cast doubt on Verdi's love and attachment for the land of his birth ... Whoever does so would offend not Verdi, but Busseto ... Like all truly great men, Verdi was also truly good and most sensitive to all affections. Among these, that for his homeland was no less alive or warm in him than in others."

Actually, Boni admits—as later biographers have confirmed—that at times there was some dissension between Verdi and the town of Busseto; but the fact remains that Verdi chose to live there and, though he sometimes threatened to move away, he never did; Busseto was remembered in his will.

Whatever Verdi may have felt about the town, it is obvious that the town is obsessed with Verdi. His picture, his name, his imprint are everywhere; in a leading salami-and-ham shop (which Verdi himself patronised) Verdi autographs are proudly displayed. But this worship is not merely passive: the *local library (under the intelligent and vigorous guidance of* Corrado Mingardi) has encouraged Verdi publications, the *town sponsors an annual* "Verdi voices" competition, and Busseto's "Amici di Verdi" this year welcomed Verdians from all over Italy to celebate the restoration of the Salone Barezzi the drawing-room of Antonio Barezzi, Verdi's local patron, father-in-law, and friend.

Barezzi, as every student of Verdi knows, was a gifted amateur musician (he played the flute, the clarinet, the ophicleide, and the double-bass); he was also the chief animator of musical life in Busseto, an organiser of the Società filarmonica, an amateur orchestra and chorus. His drawing-room, served for rehearsals and, on occasion, for concerts. It was in this room that the young Verdi gave piano lessons to Margherita Barezzi, his future wife; and in this room Verdi performed—conducting the Filarmonici—some of his first compositions.

After Barezzi's death, his property was scattered. The house itself, facing the main square of the town, was for many years uninhabited. Finally the property was bought by the Banca Nazionale dell' Agricoltura, which turned the Salone over to the Amici di Verdi. The Amici collected funds (including some contributions from America) and patiently set about restoring the room to its early 19th century appearance: the proper wallpaper was found (in France), the original sofas were donated by surviving members of the Barezzi family, a former mayor of Busseto contributed the affecting pencil-portrait of Verdi, drawn—probably on the occasion of Verdi's wedding to Margherita — by Antonia Barezzi's brother Stefano. Barezzi's piano was brought back, along with letters and other documents.

At a simple ceremony in the presence of many distinguished Verdians (including Renata Tebaldi), the Salone Barezzi was recently reopened. In the tradition of generous Barezzi — and Busseto — hospitality, there was a sumptuous "snack" of Parma ham, parmesan cheese, home-made sweets, and ample heady local white wine.

Replete the Verdians then moved across the square to the Teatro Verdi for an all-Verdi concert. Apart from the string quartet (played by the Quartetto della Scala), most of the pieces were unfamiliar, or at least rarely performed. The young Coro "Città di Parma," trained and directed by Antonio Burzoni, sang—with rare grace—the Ave Maria on an enigmatic scale and the Laudi *alla* Vergine Maria of 1884. Various singers—largely students from the Parma Conservatory—sang Verdi songs, including the haunting, brief "Pietà Signor" of 1894, one of Verdi's few occasional pieces.

To conclude the evening, the flautist Severino Gazzelloni performed some paraphrases of Verdi arias arranged for *Barezzi (the Carrara* Verdi family, the composer's heirs, supplied Gazzelloni with the music, which included a piece based on tunes from *Macbeth*, the opera Verdi dedicated to his father-in-law). At one point Barezzi's own flute was displayed—brought to him from Paris by Verdi—and Gazzelloni tooted a note on it, all the illustrious instrument is capable of now, after more than a century of silence.

For theoccasion, the Busseto Library also sponsored the publication of an important volume: *Verdi, Merli e Cucù* by Gustavo Marchesi. This is a fascinating, and often amusing collection of documents (many discovered by Gaspare Nello Vetro of Parma) concerning Verdi's early years in Busseto, from 1819 to 1839, when Verdi left for Milan and fame.

Marchesi, the author of a valuable biography of Verdi, presents the documents with sensitivity, acumen, and humour, informed by his extensive local knowledge. The Merli (blackbirds) and the Cucù (cuckoos) were the two rival musical factions, as portrayed in a satirical poem by a Busseto priest, an anti-Verdian, in the mid-1830s, when Verdi was being proposed for the position of local organist and music master. Barezzi was the Chief Merlo in the poem: Verdi him*self appears as the Parrot "dalle verdi piume"* (with green feathers).

Marchesi's book not only offers new light on Verdi's adolescence, but also supplies an engaging picture of life in Busseto at the beginning of the last century. Appropriately, the publication was underwritten by the Monte di Credito su pegno of Busseto, the same organisation whose grant, in 1832, helped Barezzi support Verdi during his studies in Milan.

Sadler's Wells Ballet premieres

Two London premieres, the first London performance by Sadler's Wells Royal Ballet of *Elite Syncopations* and a birthday performance in honour of Sir Frederick Ashton are highlights of the company's season at *Sadler's Wells Theatre from* September 5 to 22.

The two new ballets, which transfer direct from the Edinburgh International Festival, are Kenneth MacMillan's *Playground* and David Bintley's *Punch and the Street Party* which opens the season on September 5 in a programme which includes Kenneth MacMillan's *Concerto*.

Playground, with designs by Yolanda Sonnabend, is a dramatic work to an orchestral piece by Gordon Crosse called "Play Ground." *Punch and the Street Party* is David Bintley's comedy ballet about Punch's exploits at a street party to celebrate Queen Victoria's Diamond Jubilee.

The first London performance by Sadler's Wells Royal Ballet of Kenneth MacMillan's *Elite Syncopations* is given on Tuesday September 11 in a programme which includes *Les Rendezvous* and *Brouillards*.

In honour of Sir Frederick Ashton's 75th birthday there will be a special performance of his ballets *Les Rendezvous* and *The Two Pigeons* on Friday September 14.

CRICKET TREVOR BAILEY

Botham looks set for greatness

AFTER THE dismissal of a limited, and demoralised India for under 100, with Botham taking five wickets, England batted themselves into a virtually invulnerable position. At stumps on Saturday, they were 261 runs ahead with three wickets standing and, unless prevented by the weather, should inflict their second innings defeat, well within the distance.

Gower, gloriously, Randall, sensibly, Botham, boisterously and, to a lesser degree, Edmonds, delighted the crowd in their different ways, but the spectators were less happy in the final session as Miller and Taylor added runs against a four-man attack which had long since lost its teeth.

Relentless

They wanted to see a period of spectacular batting followed by the England bowlers trying to pick up two, or three victims, before the close, and Botham possibly taking the one wicket he needs to secure a hundred in Tests in record time.

Obviously, this would have provided more excitement for a Saturday crowd than Brearley's relentless approach, but it should be remembered that this is a Test.

In international cricket, the first aim is to win and the second to avoid defeat. Once entertainment is considered more important than these two objectives, cricket becomes a mere exhibition, not a serious contest, and the long-term interest will inevitably die.

The odds are that Ian Botham will capture his 100th Test wicket today and, by the end of this series, he should also have completed the speediest "double," as he now requires only another 140 to reach 1,000 runs.

When it is remembered that his first international was against Australia, at Trent Bridge, in 1977, his impact can be said to have been sensational.

He is already a world-class cricketer, whom I think will become the finest genuine all-rounder England has produced since the First World War.

Although Botham has played in 19 Tests, it is not possible to assess whether he is a great all-rounder or merely an outstanding one, because he has not yet encountered any opposition with high quality batting, or bowling.

His most searching examinations will come this winter against Australia, thirsting for revenge and strengthened by their Packer contingent and next summer against the West Indies.

Botham is a fast medium swerve, rather than seam bowler. His most dangerous ball is the outswinger, although he also has a big inswinger. He has a useful, sometimes over-used bouncer, an improving slower ball and he uses the crease in his constant search for variety.

Although, with some justification, he has been called a lucky bowler, he also makes his own luck. He attacks, keeps the ball up to the bat and experiments. Luck alone could not bring 100 wickets in 19 Tests.

Complete

Many good judges, including Brian Close, believe that Botham will, with maturity, blossom into a mighty international batsman, rather than his present Test role, as a spectacular, somewhat unpredictable, middle order striker. Although he has moments of uncertainty against spin, he has the ability to destroy a class attack by the power and considerable range of his strokes.

As a fielder, Botham is every captain's dream, because he is the complete all-round fieldsman. He is superior to most specialists, whether it be in the slips, as a suicidal bat and pad man, out in the deep, or as a cover.

Action

Botham's qualities do not end with his talent in these departments. He also has two other vital assets. First, there is his exceptional stamina and sheer physical strength, which enable him to keep going for long spells and to bludgeon a six into the crowd from a mis-hit.

Second, he is a natural competitor who revels in a fight; indeed, he is just the person to have around in a tough situation.

I have a hunch there will be plenty of flak, action and acrimony in the next two series.

England will then need cricketers with big hearts as well as ability and Ian Botham unquestionably will be in the front line, responding to the challenge of "facing fearful odds."

YACHTING BY SAM VITE

Britain's cup chances vanish

AT THE half-wage stage of the Admiral's Cup ocean racing series centred on Cowes, it is still anybody's event; anybody's but Britain's that is.

After squandering a very strong position in the second inshore race last Thursday and losing valuable points by the retirement of Morning Cloud from the Channel Race, Britain's chances of taking the chunky Gold Cup for the third time in a row are now gone. It looks as though the battle will be betdeen Ireland, Australia, the U.S. and Hong Kong.

Of course, chance plays a large part in yachting. It happened that the double points value Channel Race which finished on Saturday evening favoured the smallest boats in the fleet. And Ireland, with two low-rating yachts and a medium one, simply cleaned up.

With Ken Rohan's 40-foot Holland-designed Regardless winning her second race in succession, Inishanier taking ninth and the bigger Golden Apple performing well to finish in 17th place, Ireland easily displaced Hong Kong from the top position in the team points table.

By contrast, the fates were playing fast and loose with the British team. The superbly-consistent Eclipse took third place in the Channel Race to maintain Jeremy Rogers' reputation for total dependability: he now has a sequence of eighths, seventh and thirds to his name, and Eclipse is a close second to Regardless in the individual boat scores list. But all that counted for little against the disastrous form of the other two British yachts.

Mr. Edward Heath, the team captain, seemed to be unlucky to break the rudder on Morning Cloud in mid-Channel. But wase he? Two American boats had suffered broken rudders made with carbon fibre in the Southern Ocean Racing Conference races off Florida earlier in the year, yet the ex-Premier was persuaded to fit an American-made rudder of the same type to his yacht.

"It represented a saving in weight and was said to be more efficient with greater flexibility," he said as he stood forlornly holding the broken stock. "I was told the problems experienced in the SORC had been solved and it seemed to be OK. Perhaps we've learned our lesson," he added with a rueful smile.

There can be no rationalisation for the third British yacht Blizzard. After winning the first inshore race on Wednesday to give Britain a flying start, she surged into the lead on Thursday, only to make a total hash of it all by sailing the wrong course.

That lapse cost Britain about 30 points, so with Blizzard a 53rd on Saturday night—it's only fair to say, along with all the other high raters—Britain's spot in the overall table dropped from a just redeemable fourth to a hopeless ninth.

The Channel Race caused a big shuffle in that table. France's trio of little ones revelled in the light weather going and finished second, seventh and 13th, which was enough to shoot her up the table from 12th to fifth.

But it seems more likely that the cup will go to Ireland for the first time. In spite of Inishanier's poor result in the second inshore race because she had to stop and pass a badly injured crewman to a rescue boat, the whole team's performances have been steady enough to give them a valuable 16 points lead.

Regardless is obviously the star of the side, and leads the individual boats points table. But Golden Apple is only 24 points behind, having scored a sixth, a second and a 17th. But then, you would expect that boat to go quickly: as well as skipper Hugh Coveney aboard she has the designer, Ron Holland, the double Olympic Gold Medallist Rodney Pattisson and Ireland's best helmsman Harry Cudmore. If that team of talent couldn't do well it would have to be the yacht rather than the yachtsmen to blame.

Australia can still do well, especially if the wily old campaigner, Syd Fischer can get his latest Ragamuffin to emulate the feat of her 1971 namesake and win the Fastnet Race (which counts treble points). And the Americans are handily-placed although the previously-consistent Aires had a poor Channel Race.

The Hong Kong trio were nicely poised to take the cup to Asia for the first time until the Channel Race, when their big boats sagged sadly.

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Spending on education

Of all the services which the Government provides and is now determined to cut, education is the one that ought to be treated most leniently, particularly by an administration that wants to regenerate Britain through reliance on individual effort and ability. Education is a genuine public good, which benefits the whole of society and not just the individuals who consume it. It is both a right which society grants and an obligation it imposes and thus is not suited to allocation through the market. The nature of the cuts in education spending proposed last week by Mr. Mark Carlisle, the Education Secretary, suggests that the Government is aware of the overwhelming need to maintain and improve educational standards.

Further cuts

The cuts proposed have been in the incidental extras which are incorporated in the educational system largely through historical accident—free milk, cheap school meals and transport, subsidies for foreign university students. These will cause some individual hardship, but this, in a society which has opted for private, rather than public consumption, will have to be solved at an individual level through the social security system, rather than through blanket subsidies to millions of families which are not in the least needy.

Unfortunately, the £200m that the Government expects local authorities to be able to save on these non-educational services is likely to prove inadequate once details of the Rate Support Grant and the financing of the Clegg pay awards are announced. Since education accounts for about half of local authority expenditure, further cuts will probably be required.

In education, unlike most other public services, cuts should be concentrated on capital rather than current expenditure. Some of the modern teaching methods which rely on expensive machinery rather than personal contact could be discouraged without harming the all-important core curriculum of English, mathematics and a basic knowledge of science. Even good science teaching depends more on the ability of schools to attract good science teachers with competitive salaries than on the provision of elaborate laboratories. The fall in Britain's birth rate during the 1960s means that the pressure on school buildings will gradually ease.

State system

But one current expenditure that the Government might do well to reconsider is the £50m it plans to spend on subsidising bright children who want to go to independent schools. Until the plans emerge in detail in the autumn, it is uncertain how far up the income scale this means-tested subsidy will apply. If it is modelled on the present university grants system, it will help many well-off families, and not just the poor, to send their children to independent schools. The money would be better spent on improving the State system.

Despite the short education Bill rushed through Parliament immediately after the election in order to safeguard the future of the 300 remaining grammar schools, much of Britain is now irrevocably committed to the comprehensive system. So far the comprehensives have not lived up to expectations. But the survival of less than a third of the grammar schools that existed in 1970 cannot ensure that adequate numbers of adequately educated school-leavers go on to unversities; neither will an increase in assisted places at the independent schools achieve this goal.

Now that a Government committed to the improvement of basic educational and disciplinary standards is in power, the comprehensives must be equipped to provide all children with a good education and to prepare the brightest for university. The experience of other countries suggests that basically comprehensive systems of secondary education can produce academic excellence if able children can go on to universities. What is important is the setting of high standards and a determination to monitor performance. This has been lacking for too long in the British educational system.

The Assembly in Iran

IN ONE sense last Friday's elections in Iran have helped clarify the usually obscure political situation there. Whether by participating in the election or boycotting it, the different political groups have been forced to show where they stand. The election was held to form a 75-man assembly to give the country a new Islamic constitution. In the event the centre parties and several groups on the Left decided not to take part.

No compromise

But the victory for Ayatollah Khomeini's Islamic Republican Party, which—with two-thirds of the votes counted—seems assured, is not completely hollow. It appears that the rather more moderate Moslem People's Republican Party led by Ayatollah Shariatmadari, who had quarrelled with Khomeini in the past, has won enough seats to provide some opposition to Khomeini's group of clergy. How effective it will be in countering his plan for a constitution that would give almost dictatorial powers to a small group of religious leaders remains to be seen.

Yet, despite reports from Iran of growing disenchantment both with the Islamic austerity which the Iranian revolution has brought and with Ayatollah Khomeini's autocratic imposition of it, there have been no signs of compromise from the city of Qom, where the Ayatollah and his ruling Revolutionary Council, composed mainly of clergy, preside. On the contrary, aware that the basis of support for him among ordinary Iranians is still intact, Khomeini has allowed his followers in the revolutionary committees to use increasingly rough methods against their political opponents, as the election has shown.

Middle classes

Ayatollah Khomeini appears to be acting mainly out of fear of a takeover of power by the Marxist groups on the Left. These groups, most of whom are keen to demonstrate their lack of connection with the Soviet Union, showed great organisational and military strength during the revolutionary turmoil earlier this year; since then they have been lurking underground, their organisation reportedly intact, awaiting a suitable moment to strike. The Ayatollah appears less concerned about the centre parties which represent the bulk of the middle class, even though it is this group which probably feels most disillusioned with a revolution which, many of them think, has replaced one form of authoritarianism with another and taken away economic prosperity s well. So far the centre parties have been disunited and disorganised, but they can expect to gain strength if the present disorder and austerity continue. This is a point which Dr. Shahpour Bakhtiar, the moderate Prime Minister who actually engineered the Shah's departure last January, appears to appreciate. He chose last week to emerge from secret exile in France and declare his availability.

Stranglehold

Ayatollah Khomeini and his associates may finally be realising that there is no substitute for effective, pragmatic government. The leadership has so far failed to solve the admittedly tricky problem of the regional separatists, especially the Kurds in the north-west and, even more crucially, the Arabic-speaking population of Khuzestan in the south-west, where most of Iran's oil is produced. It has also failed to produce and operate a coherent economic policy that balances the rejection of the Shah's ambitious development strategy against the need to provide employment and improving standards of living for the country's 35m people. The leadership has made its task more difficult by its hasty and ill-thought out policy of nationalisation and by its reckless abandonment of some worthwhile projects—such as badly-needed new roads—along with the more grandiose schemes. True, the Government has lately shown more determination to tackle economic problems and may be helped by its partial integration with the revolutionary council. But for a policy to be effective the Government must at some stage lift the stranglehold that Islamic revolutionary committees hold on individual businesses.

THE AMERICAN TURNDOWN AND THE WORLD ECONOMY

BY PROF. PAUL A. SAMUELSON

Burning the house to roast the inflationary pig

YES, THE U.S. is now in a recession. It began sometime between New Year's Day and April Fool's Day.

No, our inflation is not under control. The OPEC oil-price increase and short grain crops abroad add to our core rate of inflation. Wage rates geared by contract or by practice to rises in the cost of living become themselves new causes of amplified inflation.

Maybe interest rates are near their peak. But maybe the Federal Reserve, under its new chairman, Mr. Paul Volcker, will act for a few months to twist the screw of tight credit one more turn. The jury is still out on this point.

Certainly, the unemployment rate will rise as 1979 wears on. The trauma of petrol shortage and its consequent long queues of motorists have hurt the demand for large Detroit cars. Lay-offs follow, as night follows day.

Normally, profits fall in a recession. And, in its first phase, equity prices usually also fall—fall absolutely, and in terms of bond prices. Wall Street now debates with itself whether to act in the normal fashion.

The dollar, which took a battering in the foreign exchange markets last October, came back briskly after President Carter's November 1 promise to deliver a recession. U.S. Treasury officials preened themselves over the success of their intervention. He who boasts about making the morning sun rise takes on the obligation to conjure against its afternoon descent.

As Secretary of the Treasury W. Michael Blumenthal turns the abacus over to G. William Miller, jittery speculators have been bidding up the price of gold and selling the dollar short. We are exiling ourselves from the promised land into which Milton Friedman had led us—where floating exchange rates give nations autonomy for domestic macro-economic initiatives. Messrs. Miller and Volcker are pledging to defend the dollar, whatever the toll of production and jobs. Cynics regard it as fortunate that not all the pledges of public officials are redeemed in a modern populist democracy.

The U.S. history I now recount differs so far little from my beginning-of-1979 written surmises. What about the rest of the globe?

Earlier I wrote: "In as much as the principal nations abroad have not enjoyed recoveries at all comparable to that of the United States, I see no good reasons why they should let themselves follow the U.S. down the path into recession."

How naive I was! Little did I envisage that when central bankers and government officials got together this summer, they would be saying: "The only way to reduce the demand for energy, the only way to force upon labour the reduction in real wage rates called for by dear OPEC prices and bleak harvests, is to encourage a recession to develop. The West German pattern of weak output growth (and tamed inflation) is not to be pitied. It is to be envied — *and emulated.*"

I have two reactions to this candid prescription. First, to roast a pig need one really burn down the house? Is there no other way to reduce oil consumption than to reduce consumption of *all* the necessities of life, and to engineer a secondary contraction far greater than the primary drop in output directly attributable to reduced energy input? (Besides, real wage rates in Germany don't seem to have been curbed significantly by Chancellor Schmidt's flirtation with austerity.)

1978-80 U.S. FORECAST OF CHASE ECONOMETRICS

(August 1, 1979)

	1979 1stQ	1979 2ndQ	1979 3rdQ	1979 4thQ	1980 1stQ	1980 2ndQ	1980 3rdQ	1980 4thQ
Real GNP Growth* (per cent)								
	+1.1	−3.3	−2.5	−2.8	−0.9	+2.8	+2.4	+2.8
	+1.1	−3.3	−1.5	−0.5	+1.1	+1.0	+4.6	+4.3
Consumer Price Growth* (per cent)								
	11.1	13.8	11.9	8.3	7.8	8.1	8.1	7.3
Money Supply Growth (M2)* (per cent)								
	1.8	8.9	9.0	9.3	8.6	9.0	9.8	9.4
Profit Growth during previous four quarters* (per cent)								
	+33	+14	+9	−5	−6	−3	+5	+16

	1979 1stQ	1979 2ndQ	1979 3rdQ	1979 4thQ	1980 1stQ	1980 2ndQ	1980 3rdQ	1980 4thQ
Unemployment rate (per cent)								
	5.7	5.7	6.1	6.8	7.5	7.9	7.9	7.9
	5.7	5.7	6.0	6.4	6.8	7.0	7.1	7.1
Short-term interest rates (Federal funds)								
	10.1	10.2	10.5	9.1	7.3	7.0	7.1	7.2
	10.1	10.2	10.6	10.0	9.1	8.5	8.3	8.4
Long-term interest rates (new AA-rated corp. utility)								
	9.7	9.8	9.6	9.5	9.3	9.2	9.25	9.3

* Percentages are expressed as annual rates. After mid-1979, data are estimates.

The table gives data on real GNP growth, unemployment rate, and short-term interest rates, as forecast by Chase Econometrics and by Data Resources Incorporated. In every case, the second row is DRI numbers and the first row Chase numbers.

Slowdown

Second, if you are not Germany, it is not all that easy to achieve the German successes: an export surplus, strong exchange rate, placid trade union movement, and calm electorate. More important, what Germany can do to develop a trade surplus when other countries *don't* follow her example cannot be achieved by *all* countries trying to follow her example.

I was right to deny that it is any longer true that "when the U.S. coughs, Europe gets pneumonia." But I would not wish to deny that the major world nations can act in concert to bring themselves all down to America's state of lethargy.

But should they want to do so at this stage of their recoveries? When I tell American audiences that the current recession has written on its bottom "made in Washington," I hasten to explain that this is not an accusation of incompetence or sadism. After four years of vigorous expansion, our GNP has begun to bump against the ceiling of its full employment potential.

I could not so convincingly write the defence for 1979-80 recessions that carry the imprint: "Made in Bonn. Made in Tokyo. Made in Brussels and The Hague."

Before discussing evidence that bears on the likely depth and duration of the present slow-down, I should survey the variety of scenarios forged by economists from different schools. Many chests present themselves for medals of performance.

Monetarists, observing last winter's absolute decline in the supply of money, generally predicted the recession.

Quasi-Keynesians, the only kind we have these days, for once found cyclical turning-points in their prediction print-outs. Chase Econometrics was rewarded for its pessimism.

The *leading indicators* worked this time. They led at the turn.

The new American school of "*rational expectation,*" located thinly on a line between the University of Chicago and the Federal Reserve Bank of Minnesota, no longer produces its expected forecasts of any events. This at least is an improvement upon their indiscretions before the 1974 debacle.

Government economists, who sometimes know better than they speak, have for once admitted that the country is in for a recession. Having OPEC to blame helps the cause of those who advocate candour in official economic prognosticating.

Actually as in the 1973-75 recession, the energy shortage is a substantive cause ensuring *that what might have been only a growth* recession has become an outright recession. Higher prices for petrol and heating fuel act to increase the inflation rate and hence to impel the macro-economic authorities into taking more stringent restrictive measures. Having to spend more abroad on costlier oil imports acts just like higher tax rates to reduce disposable incomes and spending on goods produced by American job-holders. This is in addition to the cuts in spending on cars and vacations occasioned by the petrol shortage.

PAUL VOLCKER
...one more turn of the credit screw?

G. WILLIAM MILLER
...digging in for the dollar

We have in the OPEC cartel price rises a micro-economic event of macro-economic magnitude.

I am one who counsels the Federal Reserve *not to try to* offset oil-and-food components of inflation by tight money designed to produce offsetting reductions in the inflation rate elsewhere. I come into court with clean hands, having earlier told the authorities that the sign of spreading demand-pull inflation called for more tightness then.

These days you must forecast where the economic predictors will be. Prof. Otto Eckstein of Harvard has sold his Data Resources Incorporated to McGraw-Hill for several kings' ransoms. Dr. Michael Evans has sold out his interest in Chase Econometrics and joined the ranks of millionaires.

I present the Chase Econometrics August 1 forecast in the accompanying table. It is a bit more pessimistic than most made at mid-year. By now the crowd will have been infected with the Chase gloom.

For comparison, the chart shows the slightly more sanguine DRI forecast. Whereas Chase sees 1980 as a year in which the U.S. recession barely rises into a growth recession, Dr. Eckstein presents a scenario that President Carter would somewhat prefer in an election year.

Either projection will gladden the heart of Republican candidates. From the recent mid-1979 unemployment low of 5.6 per cent, 1980's end is likely to see an unemployment rate of somewhere between 7 and 8 per cent.

Note how weak is the expected drop in long-term interest rates. These days, the market seems remarkably efficient in anticipating likely future events—such as a 1980 recovery. By contrast, short-term interest rates fall more sharply, in anticipation of next winter's weakness in the economy.

What are the odds that the U.S. recession will be so virulent and long-lasting as to pull the rest of the world into a recession comparable to that of 1973-75?

Were it not for my concern that Government policy may be conducive to weakness in the American economy, I would bet against the current recession being a major down-turn.

Before the turn, the U.S. recovery had not this time moved so strongly into the region of full capacity and supply shortages. Inventory stocks were more distorted in 1973 and 1974 than the evidence suggests them yet to be. All this augurs a more moderate down-turn.

The 1979 rise in OPEC oil prices, bad as it is, is only a fraction of the jump we experienced in 1973-74. From smaller external shocks, we are entitled to expect smaller adverse cyclical reactions.

There is a third important difference from 1972-74. Then, raw material prices were soaring, as the whole world was simultaneously in an all-out boom. When all go up together, the skids are greased for all to collapse together. Europe this time moves to a different drumbeat from ours.

Why, then, am I not more sanguine? My concern that the U.S. could be in for two or three years of stagnation stems from my apprehension that *political pressures may this time work towards preoccupation with inflation rather than with recovery in output and employment.*

The Kennedy team of fifteen years ago would be confident that it had the knowledge and power to bring the current recession to an end by next spring. Now that is ancient history.

Jimmy Carter is in deep political trouble. His energy programmes remain mere rhetoric. His elevation of Hamilton Jordan to White House high command smacks to the electorate of Richard Nixon's Watergate isolation. Carter's sending his wife out on the stump to praise his strength backfires.

I can no longer dismiss the odds that Mr. Carter will decide against running for re-election. If that occurs, the conditional probability arises that his administration will eschew the usual election-year pumping-up of the economy. Instead, he may choose to go out of office in a blaze of glory fighting inflation.

That same blaze could scorch a considerable part of the U.S. economy. Its heat will not be confined to our own shores, as the rest of the world faces for the first time in the Age of Keynes an American economy not pre-occupied with full employment.

Professor Samuelson is Professor of Economics at the Massachusetts Institute of Technology, Boston.

MEN AND MATTERS

AA in top gear —for selling

Since its founding in the days when motoring was a new sport for the Edwardian upper classes, the Automobile Association has come a long way. When its latest mail-shot fell through my door last week, I wondered if perhaps it has travelled a little too far.

There were five different bits *of multi-coloured paper, strewn* with the verbal wreckage of marketing seminars: "Say YES today!"—"A Golden Opportunity!"—"You've been given five chances to win a glittering prize in our £38,000 contest!"

Although I am fairly conditioned to all that, I recently met a typical old-style AA member, a retired major in the West Country. He bitterly complained of being solicited to take out a loan with the AA—"It is to your advantage to act now. RSVP within 15 days."

So I telephoned the association to ask what this increasing flood of "literature" achieves, and just how much of it goes out. Facts were not easy to come by.

The AA will not say how *many of its 5.3m members* it hits with mail-shots, or how often. But the lists are all computerised, so that selective mailings may be made. "The literature is always costed in with the prices of products," I was assured. The AA sells an ever-widening range of merchandise, as well as offering holidays, insurance and other services.

The net result is a saving of 31p a year on each member's subscription, the AA estimates. The chatty promotion style is plainly much influenced by the Reader's Digest, with which the association has close links. Diversification began during the 13 years when Sir Alex Durie was AA director-general; the loans scheme is handled by Mercantile Credit, of which Durie is a director.

Supposing AA members feel their intelligence is being insulted by being told to rub a coin over a blank space to see if they are lucky winners of a Surprise Award? "Complaints are few," I was told. "But you can send in a card if you don't want any literature."

"What's good for General Motors . . . ."

Going private

Our new masters have invented the ugliest word of 1979—"privatisation"—to describe their intention of selling off various bits of State enterprise such as British Airways and BP. (It is, I am told, an anglicisation of the German "Privatisierung"—itself drawn from English.)

Now news reaches me that the transfer of resources from the public to the private sector is about to assume hitherto unimagined proportions. The Department of Employment, no less, is changing allegiance. In the next couple of weeks it is moving out of its St. James's *Square headquarters, where its* landlord is that bulwark of the public sector, the Post Office Pension Fund. Its new home will be Caxton Hall in Tothill Street, owned by the decidedly non-public Commercial Union.

On a quieter note

Having long since dispensed hereditary heads of state, the French stamp their bank notes with the likeness of some historical figure, whose fame is less transient than that of a President of the Republic, elected every seven years.

For the last 14 years, that honour has gone to Corneille, the seventeenth-century poet and playwright, whose head has graced the Fr 100note, roughly equivalent to our tenner. The colourful "Corneille," will now be replaced by a new Fr 100 note, bearing the face of Eugene Delacroix, the Romantic painter who died in 1863.

The old note is now considered too big and too easy to forge. The "Delacroix" will be smaller and printed in a mixture of sombre browns and greys—which would certainly not have been to the taste of the artist whose effigy it bears. A clever innovation is that it will be embossed with three raised spots, so that it can be identified by blind people and those who, for one reason or another, are doing business in the dark.

Pedal promotion

Bicycle manufacturers TI Raleigh is putting a brave face on its disappointment in the Tour de France race. After wining the team prize for the past two years, all it could manage this time round was third prize.

The race was the climax to a four-year campaign to put the company's name on the bicycling map in Europe, especially in the large and difficult French market. More than £1m has *been spent on promotion, some* £400,000 of it this year.

Raleigh says that while the result was a blow, there was still a lot of promotional mileage in the several break-aways by team members, when the TV cameras were trained on the Raleigh vest for 20 minutes at a time.

The four-year programme had improved the manufacturer's "visibility" in the French market enormously. In 1975 the number of people who had heard of Raleigh was neglible, while a poll last year showed that 31 per cent could identify the company.

And while Raleigh slipped back this year in the tour, parent company TI was keen to point out yesterday that another of its subsidiaries, TI Reynolds, supplied the tubing used to make the winning Renault bikes.

Beastly habit

The silly season being upon us, it is timely enough to mention my meeting with a donkey called Jonathan in a pub in the Sussex village of Alfold. To be precise, Jonathan was just putting his head in the window to drink half a pint of Guinness. "He *sometimes has a pint,* when I can afford it," said his owner, airline pilot Bill Scheerbaum.

Scheerbaum also has a pet starling which drinks gin and tonic. I can report that while the donkey can hold its liquor, the bird often gets tipsy and collapses in a heap.

Animal stories invite trouble, of course. A million paragraphs *ago, in Africa,* I published a photograph of a man holding a huge python which he had killed by jumping on its head. "Is this a record?" was the careless caption. For months afterwards, men staggered into my office with snakes—some scarcely dead, others in advanced states of decay. All callers at Bracken House with *talking dogs will be sent* elsewhere.

Observer

هكذا من الأصل

BNOC'S EVIDENCE AGAINST THE OIL COMPANIES — BY RAY DAFTER, ENERGY EDITOR

What caused Lord Kearton's outburst

SOME DISQUIETING facts about the exploration drilling record of oil companies operating on the UK Continental Shelf have been passing across the desk of Mr. David Howell, the new Energy Secretary.

The offshore industry has been pressing Mr. Howell to issue further exploration licences—a message he seems to have taken on board—and yet according to reports sent to his department companies have not yet drilled on many of the blocks awarded to them in previous licence rounds.

The implied criticism may not detract from the industry's record of past achievement. After all, it has taken less than a decade to bring on stream 12 commercial oil fields; each one of the developments extending the frontiers of offshore oil technology. A further 11 fields are now in the development stage. And when energy consumption figures are published later this month it could well be confirmed that, for June at least, Britain has at last become self-sufficient in oil.

But still the reports on drilling activity could make Mr. Howell feel uncomfortable during Parliament's summer recess as he ponders the conditions for the next, seventh round of offshore licences. He has already said that the industry will be given greater operating freedom and encouragement by the Conservative Government and that it will find itself less encumbered by an "over-extended" British National Oil Corporation.

Just how much influence BNOC will have in future offshore activities, and how it will be financed have still to be clarified. But what has been said so far has been enough to provoke Lord Kearton, the shortly-to-retire chairman and chief executive of the Corporation, to make an extraordinary attack on the private oil sector.

Oil companies were sitting on unexplored blocks, preferring to hold "acreage in the bank," he said. At the same time they were making the Corporation the butt of "outrageous lies" as an alibi for not increasing exploration and development work.

The industry reacted strongly to Lord Kearton's outburst, made after the last monthly board meeting of the Corporation. It denied his allegations, although under the new terms outlined by Mr. Howell it did foresee the prospect of an upsurge in exploration activity.

It would be quite natural to regard Lord Kearton's remarks as the venting of frustration. He has worked tirelessly to strengthen the Corporation's oil industry role; now he sees the Conservative Government dismantling much of what he has achieved. Furthermore, he has grown weary of the public sniping by some private oil companies.

But Lord Kearton's attack on the industry's drilling record was no off-the-cuff rebuke, delivered in the heat of the moment. It was a dramatic summary of a study that has been conducted within the Corporation, the results of which have influenced a series of BNOC recommendations now with the Energy Department.

38% unexplored

In essence the study shows that of the 371 blocks and part blocks allocated in the first four rounds of licences and still held by offshore operating groups, no fewer than 142—or 38 per cent—have not yet been explored with even a single well.

Originally 563 blocks were allocated between 1964 and 1972 under the first four licence rounds. About 70 per cent of the acreage has been returned to the Government by the industry as being of very little exploration interest. Under the terms of the licences the industry was required to relinquish only 50 per cent of the area.

Trevor Humphries

Mr. Howell, Energy Secretary; BNOC's reports could make him feel uncomfortable.

But the focus of BNOC's concern is the acreage that has been retained by the companies—presumably the most promising blocks and part blocks. "The companies have been crying out for new exploration licences when they have plenty of work that could be carried out on existing licences," said Mr. Martin Lovegrove, manager of BNOC's economic intelligence and information departments, and author of the internal study.

"By and large, private industry has done a good job and is continuing to do a good job, particularly with field development projects. But it has put up a smokescreen in saying that it needs new blocks to stimulate new exploration. We have had to push a lot of companies into drilling anything at all."

Mr. Lovegrove, who was formerly North Sea oil analyst with stockbrokers Wood Mackenzie, reports in his study that the companies still holding licences on blocks issued in the first four rounds have drilled an average of 1.21 wells per licensed block. "This is not an impressive performance when one bears in mind that the average size of a block is over 250 square kilometres. And it hardly endorses the view that the North Sea is a mature province," he said.

There can be no argument that exploration drilling has declined. In 1975 there were 79 "wildcat" wells drilled in the UK sector; in 1976 there were 58, in 1977 there were 67 and last year there were just 38. The figure will remain low this year; at present only three of the 13 rigs operating in UK waters are engaged in exploration work; the remainder are appraising previous discoveries or involved in development and maintenance programmes.

There is no doubt, of course, that exploration drilling is becoming a riskier business. For the past couple of years on average only one in ten exploration wells has been successful, a far cry from the 40 per cent success rate of the early 1970s. What is more, the amount of oil found per successful well has fallen—from an average of over 50m barrels per well in the mid 1970s to nearer 25m barrels per well last year.

SUMMARY OF DRILLING ACTIVITY ON BLOCKS ALLOCATED IN FIRST FOUR UK LICENCE ROUNDS

		Net blocks licensed* No. of blocks	As % of total
No. wells drilled		142	38
1 well	119		
2 wells	63	206	56
3 wells	24		
4-6 wells		19	5
7-9 wells	2		
10-12 wells	1	4	1
13-15 wells	1		
TOTAL		371	100

* Blocks still licensed, i.e., not relinquished.

Source: British National Oil Corporation

DRILLING PERFORMANCE IN THE FIRST FOUR UK LICENCE ROUNDS

Net Blocks Licensed*	Operators U.S.	UK	Others	Total
No. licensed	209 (56%)	128 (35%)	34 (9%)	371
No. drilled	134 (59%)	71 (31%)	24 (10%)	229
Wells drilled	270 (60%)	139 (31%)	39 (9%)	448
Wells per block licensed	1.29	1.09	1.15	1.21
Wells per block drilled	2.01	1.96	1.63	1.96

Note: Figures in parentheses are percentages of the total column.
* Blocks still licensed, i.e., not relinquished.

Source: British National Oil Corporation

Vital question

This evidence seems to confirm the industry's view (and the opinion of BNOC) that the best and most easily identified reservoirs have already been discovered. Moreover, the considerable improvements in seismic techniques in recent years have enabled companies to assess much more accurately what is below the seabed without the need for costly exploration wells. Typically the cost of North Sea drilling is $60,000 to $70,000 a day; one well can cost several million dollars.

That said, a question needs to be asked. Could—or should—the industry be doing more? The answer, according to BNOC, is yes. "The industry used to claim that 60 per cent of the oil lying in conventional depths of water on the UK Continental Shelf would be found in the first four rounds of licensed blocks," said Mr. Lovegrove. "If they are saying that this undrilled 38 per cent of acreage is bad, then the prospects for finding more oil look to be very gloomy."

In fact, the industry is not saying that the undrilled blocks should be totally written off. Mr. George Williams, director general of the UK Offshore Operators' Association said there were quite possibly some "drillable prospects" in the licensed blocks. However, these were not considered to be economically attractive at present; there was a need for the Government to determine how it would encourage the development of any small oil fields found.

The Energy Department is currently considering ways of providing incentives to companies which want to exploit small fields. In the meantime, the industry's activity is concentrated on appraising and exploiting large finds. "It would be a waste of a well to drill for a prospect that appears to be below the threshold size of a viable field." Mr. Williams stated.

The industry, he said, had more than fulfilled its exploration obligations. "While companies may not have drilled on one block in a licence, they might well have completed four or five wells on another block in the same licence." He said he knew of no company which had not fulfilled the drilling requirements as laid down in work programmes agreed between the government and companies when licences were awarded. "On the contrary I know of many that have done a lot more."

It appears, however, that this is not strictly the case. Another report submitted to the Government and given scant airing by the Energy Department claims that 38 obligatory wells, laid down in work programmes in the fourth licence round alone, have not been drilled.

The claim is made by Professor Peter Odell, director of Erasmus University's Economic Geography Institute in Rotterdam, who was asked by the Labour Government to report on the development of the UK Continental Shelf. In the recently submitted report Professor Odell argues that a failure to drill a well sometimes appeared to be accepted by the Government because "new geological evidence" showed that further exploration would not, according to the company, be worthwhile.

Obligations

But if "disappointing new geological information" enabled companies to withdraw from an obligation, positive additional geological information in respect of another block should give the Government the right to order a company to drill extra wells.

Prof. Odell *goes* further. A company, he says, should not be permitted to withdraw its drilling commitment without at least paying a penalty equal to the investment it had not made. Also it ought never to be allowed to retain any interest in any part of a licence for which the originally required work programme had not been fully completed.

"The British North Sea and the rest of the country's Continental Shelf is, like the rest of the oil-producing world, full of surprises and a well not drilled is a penalty to the nation in terms of information foregone."

This drives to the very heart of the issue. Only by drilling can the industry identify reservoirs; seismic surveys can—at best—merely point the way. And as the industry runs out of the most obvious, large fields, it will have to rely increasingly on difficult-to-interpret geological formations to yield future oil resources. Here exploration and appraisal drilling is essential. A case in point is the Brae Field which may soon be exploited if the Government gives its consent. Brae is contained in block 16/7 in a geological structure already perforated by 13 wells. And still the appraisal drilling continues.

Undoubtedly the risks are great. But, according to Mr. Lovegrove, the Government's conditions for North Sea exploration work are a "seventh heaven" compared with some oil regions. "There are over 30 wells being drilled off Brazil and there are no guarantees that companies will even have access to the oil they find. In the North Sea, companies can offset up to 81 per cent of the cost of exploration wells against tax on the production from previous finds.

"The UK is an unbelievably soft option for the companies."

With this in mind BNOC has recommended that licence conditions relating to drilling should be tightened. It also wants a more flexible system for allocating blocks; more of a continuous review rather than sporadic bouts of licensing.

In view of the Government's more muted support for BNOC it is questionable whether the recommendations will be fully endorsed by Mr. Howell. However, the Energy Secretary—having accepted the industry's pledge that it will step up the pace of exploration—will be watching drilling rig movements with more than passing interest during the coming months.

Letters to the Editor

True and fair

From Mr. R. Instone

Sir,—May I add one point to the admirable letter (August 1) from Mr. Ian Percy of Thornton Baker, in which he suggests an amendment to the Companies Acts so as to allow small companies to opt out of full audit requirements and in favour of a less comprehensive "review"?

It was a fundamental defect of the Accounting Standards Committee's discussion document "Setting accounting standards" that it proceeded upon the basis that the only statutory requirement as to accounts is that they should give a "true and fair view." In fact, however, the Acts impose on directors an obligation to ensure that accounts comply with the statutory requirements as to their form and contents, and on auditors to certify that they do so comply. These obligations are distinct from and additional to the "true and fair view" requirement, and the Acts impose criminal sanctions on both directors and auditors in case of their breach.

The primary question which the ASC must sooner or later face is whether or not the Acts should continue to legislate for the form and contents of accounts at all. If so (and most people who are not accountants would undoubtedly say "Yes," as would, I imagine, most accountants), the practical question is how to integrate statements of standard accounting practice within the framework of the law. Neither of these questions is so much as mentioned in the ASC's discussion document, because of its erroneous foundation.

My own preference, which others may not share, is for a more frequent resort by the Department of Trade to its existing power of amending the accounting requirements of the Acts by statutory instrument, prompted no doubt by initiatives from the ASC but after consultation with other interest groups. But no progress will be made (for it will by-pass the ASC) unless and until the ASC addresses itself to the right questions.

Ralph Instone,
7 New Square,
Lincoln's Inn,
WC2

Reviews and audits

From the Chairman, Policy Committee, The Association of Independent Businesses

Sir,—Mr. Ian Percy (August 1) states that his main concern is not with the interests of the auditors. The crux of his argument, however, seems to be that because formal standards are applied with increasing rigour auditors are unable to give honestly the traditional "true and fair" opinion in respect of the accounts of many smaller companies. This is a matter which accountants must sort out among themselves.

I should just like to point out there is no correlation between a company's being precluded from applying adequate internal control or its being an "unauditable cash business" and its falling within some arbitrary definition by turnover, assets, or number of employees. Such definitions, advocated by Mr. Percy, evade the real problem.

Businessmen are generally in favour of audits as they check accounting procedures, reassure minority shareholders, and, often most important, obviate arguments with the Inland Revenue. That is why they have shown such a lack of enthusiasm for the arguments about reviews and audits which various accountants have been putting forward for some time.

Colin Davis,
Europe House,
World Trade Centre, E1.

Interest and tax

From Mr. R. Wyber

Sir,—Mr. Palamountain (August 2) urges comparable treatment for tax purposes of interest receivable and payable. He argues that as interest receivable is subject to tax so interest payable should be allowed. This is all very well when interest remains positive in real terms.

At present however, real interest rates are generally negative and our financial institutions thus operate to make a transfer of real resources from lenders to borrowers.

If comparability is to be applied in these circumstances it should surely be in the reverse direction. Rather than extending the allowability of interest payable, interest receivable, for example on savings in building society accounts, should be taken out of the charge of tax.

R. J. Wyber,
56, Gibson Square, N1.

Allowable rent

From the Managing Director, City of London Building Society

Sir,—I was so glad to see Mr. Palamountain's letter (August 2) supporting the excellent letter from Mr. Camplin. It is high time that this question of tax relief on interest on borrowers' money was put in its proper perspective and a true statement of the real fact was made. I share Mr. Camplin's view on tax deductibility for rent. It does not breach any basic principle within the tax code and in some overseas countries rent is allowable as a deductible expense.

A. G. C. Trollope,
34, London Wall, EC2.

Interest in Ferranti

From Mr. R. Nicholson

Sir,—Come come Mr. Rooney. Before committing yourself to print (July 24) as a responsible trades union official, let us read at least one fact, just one, supporting your opinions before you state: "involvement with Racal etc. is anathema to us." Who is "us?" These facts may interest you.

What are you frightened of Mr. Rooney? A continuing decline in the numbers employed by Ferranti and, therefore, more people on the dole, or lower productivity and an even lower relative standard of living for your members?

I am only a storeman with one of Racal's subsidiaries where we don't have a trade union but I earned more last year through hard work than the Ferranti average of £3,387 in the previous year and can (just) afford the Financial Times.

Mrs. Thatcher suggested to the unions long before the election that they should mind their own business which probably explains why she was elected Prime Minister and, incidentally, why Mr. Rooney has a "healthy respect" for the present Government. He should have a healthy respect also for his own members who elected him.

If Mr. Rooney speaks for all trades unionists and thinks he can sabotage rationalisation of the electronics industry which is considered essential by Government, management and unions—or is it?—in the swiftly changing world of advanced technology and in which we probably possess the best brains in the world, his fellow workers won't have it. "Think" is the corporate motto of IBM with which Ferranti may be trying to compete—Think, Mr. Rooney, before issuing public statements threatening still further the livelihoods of your members and our very survival as a trading nation.

R. G. Nicholson
43 George Street,
Worksop, Notts.

	Ferranti 1972-73	Ferranti 1977-78	Racal 1972-73	Racal 1977-78
Turnover (£000)	70,185	156,861	[illegible]	[illegible]
Net profits before tax (£000)	(loss) 22	9,122	[illegible]	[illegible]
Numbers employed in UK	16,637	[illegible]	[illegible]	[illegible]
Average remuneration (£ p.a.)	1,700	3,387	[illegible]	[illegible]
Turnover per UK employee (£)	4,219	9,687	[illegible]	[illegible]
Net profits per UK employee (£)	−2	563	1,768	8,555

The European Court

From Professor J. Mitchell

Sir,—It is no doubt rash to argue with so learned a correspondent as Mr. Hermann; yet one is tempted to temerity by his article "The case for a fundamental reform of the European Court." July 18.

Lord Scarman, if correctly reported, is alas, not quite accurate. The jurisdiction of England and Wales is not unrepresented. There is an Advocate General from that jurisdiction and he has the same rank and status as a judge, and, as is evident from reading the reports, has as great a possibility as anyone of "feeding in" to the system significant and relevant parts of his own law. Nor is it correct to say that there is no possibility of seeking to answer the opinion of the Advocate General. Article 41 of the rules of procedure specifically provides a possibility of reopening the oral procedure. There are, though, good practical reasons why this Article should not be widely used. Leaving on one side a doubtful interpretation of Article 177 (EEC), Article 39 of the statute of the Court, when read with the related Article 97 (1) (c) of the rules of procedure does not, happily, allow a member state to reopen a case whenever it wishes. They have had the chance of intervening. Indeed member states are privileged. References under Article 177 are not fed to them precisely so that they can submit observations. Their convenience is not the only one to be considered in the context of time limits. The interests of litigants must also be in the balance.

These, however, are matters of detail. The substance is perhaps to be found in the criticism of modes of interpretation. It is hard to see the "constant straying from accepted rules of interpretation" to which reference was made. By its place in the scheme of things, and by the task given to it in Article 164 (EEC) the Court is condemned to adopt a constitutional role, and that inevitably often governs the principle to be applied. Once the decision in Case 48/74 *Charmasson* had been taken, a logical evolution leading through Case 68/76 *Commission v. France* led inevitably to the decision in the case against the United Kingdom dealing with restrictions on potato imports. If logic be left on one side, the practical reasons given by the Court for its decision are in themselves convincing.

The importance of this constitutional role is twofold. The Court, can, as the Commission indicated in argument in the last case, play a part in forcing the other institutions to accept their responsibilities. Granted the delays in the decision-making process that can be essential to the health of the Communities. It is a role which will not be diminished by direct elections. Those, however, do not exist simply for the member states. They exist as much for the citizens of Europe. In relation to those citizens the Court plays an equally important part in giving reality to the Communities. Its main instrument to that end is the easy use of Article 177. It must, therefore, be remembered that *it is* those citizens who will finally pay the price for any complication of that procedure. It may also be remembered that such courts, as the history of the American Supreme Court shows, have to live dangerously. They annoy some people all the time, but in annoying some, they give benefits at the same time to others.

(Prof.) John D. B. Mitchell,
28, Murrayfield Avenue,
Edinburgh.

Public sector borrowing

From Mr. E. Chalmers.

Sir,—The City is not prepared to be weaned away from the £8½bn public sector borrowing requirement limit (Lombard, August 1). Nor is it going to be distracted by any statistical sleight of hand expressing the PSBR as a percentage of gross national product, rather than as an absolute amount. The latest piece of permissiveness in this area is to argue that a higher PSBR can be tolerated if it is the result of a recessionary shortfall in revenue and expansion of welfare payments. The consequent larger volume of gilts that would have to be sold would not necessarily be any more easily absorbed by the capital market because the level of unemployment was higher.

The Government is making an admirable effort to get down the level of public expenditure. There is a danger however that this resolve might be weakened by too much theorising on how the PSBR is not really as big as it seems. The City is quite prepared to be weaned away from an £8½bn PSBR—in a downwards direction!

Eric Chalmers,
4B Alwyne Road,
Canonbury, N1.

Today's Events

GENERAL

UK: Engineering unions begin first of series of one-day national strikes over pay.

Confederation of Shipbuilding and Engineering Unions meeting British Shipbuilders to discuss corporation's plans for yard closures.

Overseas: The Commonwealth Heads of Government Conference continues in Lusaka.

Senor Adolfo Suarez, Prime Minister of Spain, and Sr. Marcelino Oreja, Foreign Minister, begin two-day visit to Brasilia for discussions on politics and trade.

Bolivia Congress meets to elect president.

King Olav of Norway continues visit to Isle of Man.

Sir Kenneth Cork, Lord Mayor of London, in Bangkok.

OFFICIAL STATISTICS

Wholesale price index (July provisional). Building Societies' house prices and mortgage statistics (second quarter). Hire purchase and other instalment credit business (June). Retail sales (June final).

COMPANY RESULTS

Final dividends: Anglo-American Asphalt Company. County and District Properties. Ellis and Everard. Howard Shuttering (Holdings).

COMPANY MEETINGS

See Week's Financial Diary on on Page 22.

SPORT

Cricket: Cornhill Insurance Second Test, fourth day, England v India, Lord's. Yachting: Cowes Week—Duke of Edinburgh attending in Britannia. World Cadet Championships, Torbay. Tennis: Inter-Services Championships, Wimbledon. Bowls: Women's National Championships, Leamington Spa.

CITY OF LONDON LUNCHTIME MUSIC

St. Lawrence Jewry next Guildhall, Gresham Street, EC2. Piano recital by Geoffrey Saba of works by Chopin and Matthews, 1pm.

St. Michael Cornhill, EC3. Organ recital by Ian Richards, 1 pm.

Baillie, Gifford repays $39m foreign borrowing

THREE INVESTMENT trusts managed by Baillie, Gifford and Co., the Scottish investment managers, have repaid $39m of dollar borrowings.

These are the biggest repayments of foreign borrowings for portfolio investment announced since such repayments were made possible by the relaxation of exchange controls on July 18.

The repayments were made at the normal sterling/dollar exchange rate ruling at the time. In Baillie's case, the average rate was $2.311 to the pound. Prior to July 18 repayments of the loans would have had to be made at the investment currency premium rate or with the proceeds of sale of the foreign securities being financed.

Baillie, which has £300m under management, said yesterday that they had moved quickly to repay the loans because the pound had risen a long way and might soon fall back. Similarly, although they had been pessimistic about the dollar for some time, they did not now expect it to fall much further.

Baillie has repaid all the eligible borrowings except for $7.2m. It has also kept on $8.8m of borrowings which are ineligible because they were made less than a year before July 18.

The three investment trusts making repayments were Scottish Mortgage and Trust Co. ($21m), Monks Investment Trust ($9.5m) and Winterbottom Trust ($3m).

The securities financed by the loans have been retained. They are now classified as "restricted" securities for exchange control purposes. If they are sold and the proceeds are brought back to the UK they will not receive the investment currency premium.

Moscow Narodny looking to raise paid-up capital by £5m

BY JAMES BARTHOLOMEW

Moscow Narodny Bank, the Russian bank registered in London which made huge losses in Singapore in the early 1970s, raised £2m from its shareholders in 1978 and wants to increase its paid-up capital by another £5m this year.

This is revealed by Mr. O. N. Koulikov in his chairman's statement in the 1978 report and accounts issued recently.

The Russian-owned bank went on a spectacular lending spree from its Singapore branch between 1971 and 1975. Its loans and advances from the branch rose from nothing to about £400m.

The world recession hit the branch hard as several customers got into difficulties and Moscow Narodny called in loans. Allegations were made that the whole lending exercise had been politically motivated. Some customers claimed that their loans had been called in unreasonably and a series of law suits were started all over the world.

The £2m new capital and the application to shareholders for another £5m in paid-up capital follow a period of re-organisation, management changes and financial retrenchment. Mr. Koulikov remarks in his statement: "Continuing our cautious policy of improving the structure of our balance sheet, total assets declined slightly from £1.4bn at the end of 1977 to £1.3bn a year later."

The biggest shareholders in Moscow Narodny who may be called on to provide the extra money are the Russian state banks. In May, 1978 the State Bank of the USSR had 7.3m shares and the Bank for Foreign Trade of the USSR had 6.5m shares out of a total of 40m.

On the troubled Singapore branch, Mr. Koulikov writes he is confident that the past problems are under control. "Considerable scope still exists for a further expansion in the trade of South-East Asian nations with the Socialist countries," he adds.

The bank's declared profit is £1.7m (£1.5m) bringing the net assets up to £49.5m. As in 1977, the entire profit of the Singapore branch has been used to provide against bad and doubtful debts.

Also following the 1977 pattern, the outstanding doubtful debts are covered by bank guarantee. The guarantor(s) are thought to emanate from among the shareholding banks. Because of this arrangement Moscow Narodny's accounts have never reflected the full extent of its difficulties in Singapore.

But more details about these difficulties have been coming from Central Intelligence Agency reports mentioned in court proceedings in California recently. According to a CIA report in January 1974, Moscow Narodny lost $8.5m when two senior employees knowingly honoured bad cheques. The cheques were signed by a friend of theirs. The employees were subsequently fired but the money was apparently not recovered.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Finals — Anglo-American Asphalt, Country and District Properties, Ellis and Everard, Howard Shuttering.

FUTURE DATES

Interims—	
Algemene Bank Nederland	Aug. 10
Anglo-International Inv. Tst.	Aug. 9
Blagden and Noakes	Aug. 20
Brammer (H.)	Aug. 28
Goode Durrant and Murray	Aug. 9
Hawley Leisure	Aug. 9
Higgs and Hill	Oct. 10
Lovell (G. F.)	Aug. 16
Macfarlane (Clansman)	Aug. 28
Manchester Ship Canal	Aug. 13
Newarthill	Aug. 23
Refuges Assurance	Aug. 30
Tomatin Distillers	Sept. 25
Turner and Newall	Sept. 6
Unilever	Aug. 15
Wagon Finance	Aug. 31
Wolf Electric Tools	Aug. 9
Finals—	
Associated Dairies	Aug. 29
Associated Tooling	Aug. 9
Challonge Corp.	Aug. 22
Firth (G. M.)	Aug. 8
SEET	Aug. 16
Scottish Investment Trust	Aug. 16

Wilson Walton to break even

Unaudited management accounts of Wilson Walton Engineering indicate a break-even position for 1978, Mr. A. J. Wilson, the chairman, tells shareholders. First half profits had slipped from £457,000 to £219,000.

Referring to claims which the company was making in respect of major contracts completed in 1977, the chairman says the total adjustment to be made against reserves to reflect provision for these claims amounts to £1.6m and this will be included in the 1978 accounts.

FT Share Information

The following securities have been added to the Share Information service appearing in the Financial Times:

B and Q (Retail) (Section: Drapery and Stores).
Bank and Commercial (Property).
Dixon-Strand (Chemicals).
Intel Corporation (Overseas — New York).
Malaysian Plantations Berhad (Rubbers).
National Semiconductor Corp. (Overseas—New York).
North British Canadian Inv. Trust (Investment Trusts).
Phicom (Electricals).
Rolm Corporation (Overseas—New York).
Tooheys (Overseas—Australia).

Controversial plan out soon for lease accounts

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

ACCOUNTANTS SEEM set to go ahead shortly with controversial proposals on treating leases in company accounts. Leasing is considered to be the UK's fastest growing form of finance.

The profession's Accounting Standards Committee has recently circulated a draft paper that firmly supports capitalisation of leased assets in lessee company accounts.

Under an accounting standard, therefore, users of leased assets would be obliged to show leased assets in their balance sheets as assets, with the equivalent liability for future rentals appearing as borrowings.

Company practices vary but most are thought to disclose little about leasing obligations.

Banks and finance houses, the main lessors, oppose capitalisation of leased assets in lessee accounts. They fear that that would encourage the Inland Revenue to press for capital allowances attributable to leased assets to go to the finance company rather than the user of the asset.

Their opposition is thought to be the main factor behind the committee's reluctance hitherto to publish its proposals.

Harmonised

The leasing industry generally supports disclosure of data about leasing commitments in notes to lessee accounts. That would be at variance with practice in the U.S. and Canada, where lease capitalisation is standard.

Australian accountants are expected shortly to take the same line, while the International Accounting Standards Committee, the London-based body that seeks to develop harmonised international accounting rules, is expected to issue a paper on the subject soon.

The UK committee's paper, to be approved in September, deals with lessor and lessee accounting.

On lessee accounting, it suggests that leases that are equivalent to the purchase of an asset (finance leases) should be capitalised in financial statements; and that future lease rentals that extend for more than a year beyond the balance-sheet date should be disclosed separately for each of the next five years, and in one sum thereafter.

On lessor accounting, it suggests that finance leases should be accounted for as if they were equivalent to a loan of money; that the finance charge should be allocated over the period of the lease to give a constant rate of return on funds employed; that where tax materially affects the cash flows, funds employed should be taken to be cash invested; and that rentals receivable in the next accounting period should be shown as current assets, with the balance as long-term assets.

Investment aids may be needed

BY MICHAEL LAFFERTY,

THE PRESENT system of investment incentives may have increased investment in the financial sector of the economy at the expense of the manufacturing sector because of the use of leasing.

This is suggested by Mr. J. R. Franks and Mr. S. D. Hodges of the London Business School in the latest issue of the National Westminster Bank quarterly review.

The authors believe that, in the past, lessors have felt unable to design leases that would obtain the greater part of the potential tax advantages for the user of the assets. "Further, the period from 1976 to 1978 has seen the demand for leasing grow so rapidly that a major proportion of the tax benefits have accrued to lessors rather than to the users of the assets."

In 1976, the amount of leasing business undertaken by the members of the Equipment Leasing Association was £421m; by last year the figure was £1.2bn.

Franks and Hodges continue: "With so much demand for leasing, lessors have been able to write leases which are only marginally cheaper than debt to the lessee. Leasing has been a seller's market."

However, the growth of leasing by third parties (with industrial and commercial companies acting as lessors, like banks) seems likely to increase the capacity of the industry dramatically.

"The net result, sooner or later, must be a market in which the lessee has the opportunity to call the tune and where lessors will be forced to compete down to the level of their marginal costs."

Franks and Hodge say the Government should consider whether the current system of taxable allowances, on which most UK leasing is based, is an effective one for encouraging investment, especially when large parts of manufacturing may not be paying mainstream corporation tax.

"As a consequence, companies may be severely hampered in their ability to obtain all the benefits of the tax incentives. This position may be unwelcome not only because the investment incentive scheme will prove ineffective, but because some companies may be at a competitive disadvantage purely as a result of their different tax positions."

Vickers buys Medelec

By Elaine Williams

VICKERS, the engineering group, has extended its interest in medical equipment with the acquisition for £3m of Medelec, the small Woking company.

That is part of Vickers' long-term plan for the growth of its medical business. Medelec, which exports four-fifths of its sales, specialises in making equipment for clinical neurophysiology and industrial graphic recording systems.

Mr. Kenton Wood, chief executive of Vickers Medical, is to replace Mr. Arthur Craven as managing director of Medelec. Mr. Craven, co-founder of the company, is to retire.

However, Mr. Peter Styles, Medelec's technical director, who started the company with Mr. Craven, remains with the organisation and becomes technical director of the enlarged Vickers Medical.

Swedes open £½m factory

KARNER, a Swedish company, has invested £500,000 in setting up an automated factory in Britain to produce garment hangers.

The East Ham factory, opened today, will employ 25 people, rising to 75 over the next three years.

Karner decided to set up in the UK because importing to Britain was becoming increasingly expensive and labour rates were attractive. Initially the factory will produce several hundred thousand injection-moulded hangers per week.

Quicker coal

A £2.3m rapid-loading bunker is to be commissioned this autumn at Ollerton Colliery, near Newark, Nottinghamshire. It will enable 150 permanently coupled trains a week to travel from local collieries to big customers.

Charities criticised over accounts submission

BY LISA WOOD

A NUMBER of charities have been criticised for failing to submit regular accounts to the Charity Commissioners in a report in the National Westminster quarterly review.

The report is based on a survey of a sample of charities' accounts in 1975. It also says that the information available to the public through the Central Register of Charities is "considerably less than the law suggests."

The report's authors, Mr. Mark Austin and Mr. John Posnett, lecturers in Economics at the University of York, say that there is no evidence that the charities are unwilling to provide information. Rather it is that the Commissioners do not have the resources to remind them of their responsibilities.

They said it was unlikely that the Commissioners would be able to improve the situation in the near future because of the Commission's lack of funds relative to the total number of charities registered—more than 125,000 in 1977.

The report said that the sample suggested the charity sector was larger than had been previously thought. Charities had a total income in 1975 of about £4bn (4.36 per cent of gross national product) and that there were shortcomings in the information available to the public in the central register.

The authors stress the importance of the need for more comprehensive information in the register because of charities' privileged legal and financial status—such as their exemption from most taxes. Charities, they said, had no body of owners or shareholders, and it was vital that information was readily available to the Commissioners and the public.

Sir Keith to visit successful Scots companies

SIR KEITH JOSEPH will this week make his second visit to Scotland since taking over as Industry Secretary. His first trip concentrated on areas and industries in decline. On Thursday and Friday he will see successful companies involved in advanced work.

The include the National Engineering Laboratory at East Kilbride; Brown Brothers, the Vickers subsidiary which has pioneered development of ships' stabilisers; and the Wolfson Institute, Edinburgh, which specialises in micro-processor applications.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051 548 6555)	12¼	½-year	1,000	5-7
Redbridge (01-478 3020)	11¾	½-year	200	4-5
Redbridge (01-478 3020)	12¼	½-year	200	6-7

هكذا من الأصل

INTNTL. COMPANIES and FINANCE

Kaiser Steel returns to profit at halfway stage

BY OUR FINANCIAL STAFF

KAISER STEEL, the ninth largest U.S. steel producer, remained in loss in the second quarter, although like the rest of the industry it charted a recovery path. The Board said that, while steelmaking revenue and volume were substantially higher in the 1979 quarter, increased shipments and prices were not enough to offset higher operating costs and start-up costs related to modernised steelmaking facilities.

The second quarter saw a loss of $651,000, compared with a loss of $3.4m last time. At the per share level the loss fell from 28 cents to 9 cents. Sales, however, moved up from $189.4m to 235.6m.

At the halfway stage, the group is now showing earnings of $75,000, compared with a loss of $1.3m. Per share earnings of 1 cent contrast with a loss of 19 cents in the comparable period. Sales have risen from $363.4m to $471m.

The company comments that this year's second quarter includes a $2.9m gain on the sale of part of the limestone and clay reserves. The comparable quarter took in a $3m gain before tax on payment for cancellation of an agreement for use of Kaiser's marine assembly yard.

On Wall Street, analysts at the major stockbrokers have already foreseen a rise in sales this year, and earnings of $2.50 a share have been predicted, compared with $1.75 last time. Higher costs have also been largely foreseen, but there are hopes that the upgrading of facilities, better performance at the fabricating businesses and probable increased earnings contributions for some of the group's unconsolidated subsidiaries will help to offset these.

In the first quarter, the group pre-tax loss was reduced from $13.5m to $8.1m, with sales pushing ahead by 36 per cent.

Important markets for Kaiser are the container, construction and capital goods sectors. In June, Kaiser sold its 28 per cent stake in Hamersley Holdings to Conzinc Riotinto Australia.

No profit this year from SIA

SINGAPORE — Profits from Singapore Airlines for the fiscal year ending March, 1980, will be wiped out by higher fuel costs, mounting to Singapore $414m, up by 95 per cent from the previous year, said the managing director, Lim Chin Beng.

He said that fuel costs for April, 1979, to March, 1980, will exceed the company's fuel budget by S$100m.

Funds advanced to aircraft manufacturers and interest charges on loans have become burdensome the company said. Interest on these payments represents an unproductive use of funds until the aircraft are delivered and put into service.

Interest charges have risen to S$50.5m for the period November, 1978 to March, 1979, from S$18.5 in the corresponding period a year earlier.

The State-owned airline will begin a daily passenger service to Honolulu, San Francisco and Los Angeles next April. The airline also plans air cargo service to San Francisco, Los Angeles, Chicago and New York next April. In September, the airline will begin service to Dharan in Saudi Arabia.

AP-DJ

Turning point for Koor steel plant

By L. Daniel in Tel Aviv

THE Israeli steel plant at Acre—part of the 100 plant Koor industrial combine, controlled by the Israel Labour Federation—finally turned the corner in 1978, and expects to become a major money maker in 1979-80. The works produce steel billets (two-thirds from local scrap) as well as profiles, and other finished products.

New electric arc furnaces were installed in 1975. Since then, output of the furnaces has more than doubled, to over 90,000 tonnes in 1978, with a forecast for 1979 of 187,000 tonnes.

Itel predicts higher loss

SAN FRANCISCO—Itel Corporation, the computer and rail-car leasing group, said that although results for the second quarter are not yet final, it estimates that the after-tax loss for the period will be about $80m.

Earlier, the company had said that the loss would be in excess of $10m.

Itel said that the increased size of the loss compared with earlier projected results from what it called the establishment of reserves and special charges in two bread areas.

AP-DJ

Federal Cables in the black

BY WONG SULONG IN KUALA LUMPUR

AFTER THREE consecutive years of losses, Federal Cables, the Malaysian - Japanese - Taiwanese joint venture, has reported a sharp improvement in its results, and recorded an operating profit of 2.9m Ringgits for first half of this year. Last year, the group, which manufactures telecommunication cables and steel products, made a loss of 3m Ringgits.

The turnround in results was due to more favourable market conditions, improved efficiency and reorganisation of management and marketing structure, said the company.

Setback in net income at Grumman

By Our Financial Staff

A SETBACK in earnings in the second quarter was announced by Grumman Corporation, the leading supplier of military aircraft for the U.S. Navy. Total net income slipped from $6.8m to $5.8m, or from 83 cents to 68 cents a share. At $384.2m, sales and other income have fallen from $398.4m.

At the six-month stage, total net income of $6.8m or 80 cents a share compared with $13.2m or $1.62 a share last time. However, in the comparable period, a loss of $545,000 from discontinued operations brought the final net income figure to $12.7m. Sales and other income for the first half total $713m against $779m.

Analysts have warned that Grumman may find it hard this year to maintain last year's earnings total of $2.66 a share.

Swiss funds to maintain dividend rates

By John Wicks in Zurich

THREE INVESTEMENT funds affiliated to Union Bank of Switzerland are all to pay unchanged dividends for the business year ended June 30.

Globinvest, an international security fund, will distribute an unaltered SwFr 1.60 per certificate gross for Swiss-based certificate holders, and a slightly increased rate of SwFr 1.45 against SwFr 1.40 last time for those resident elsewhere.

PacificInvest, the security fund for investments in the Pacific area, repeats its SwFr 1.60 dividend. Here, too, a build-up of U.S. money market positions offset a cut in dividend earnings.

The Swiss-Share Fund Fonsa, like the two others administered by the Zurich-based Intrag AG, recorded an increase in fund holding from SwFr 508m to SwFr 532m over the year.

CURRENCIES, MONEY and GOLD

Sterling back to reality

BY COLIN MILLHAM

THE FEELING that sterling had risen too far, too fast, was borne out last week when heavy selling developed on Tuesday and the pound came down to earth with a thump. The Bank of England has been content to sit on the sidelines, but as the record level of UK reserves in July suggests, it has been a relatively simple matter to bring in foreign currencies while demand for sterling continued after its dramatic fall of just over 2.8 per cent against the dollar on Tuesday, the pound remained reasonably steady between $2.26 and $2.27. During the day's trading of course, especially on Wednesday, volatile trading saw the rate see-saw between $2.24 and $2.27.

Sterling's decline was probably further exacerbated by a certain amount of book squaring for the month end. However the prime force was undoubtedly what looked like a turnaround in dollar sentiment. With growing evidence that the U.S. economy is heading into recession and the Fed's firm resolve to combat inflation and maintain a steady dollar, there was a general feeling that the market now has at least some sense of direction and a good deal of uncertainty has disappeared.

For the time being, sterling looks as though it may stay around its present levels, with the next hurdle likely to be tomorrow's banking figures. On Friday the pound was trading around $2.27, compared with $2.31 the week before, and its trade weighted index was 72.4 against 73.5.

While sterling was fluctuating wildly, the dollar remained steady and finished the week nearly 2 pfennigs up against the D-mark at DM 1.8325.

Gold moved much the same way as sterling, although on each day it closed showing a further loss. Trading was heavy for most of the week, with dollar confidence prompting heavy selling in the metal and demand picking up at the lower levels. On Friday it stood at $287¼ a loss of $18¼ on the week.

CURRENCY RATES

Aug. 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.578176	0.607914
U.S. $	10	1.30411	1.38515
Canadian $	11½	1.52869	1.62476
Austria Sch	3¾	17.4427	18.5746
Belgian F	9	38.1030	40.5636
Danish K	8	6.87246	7.31349
D Mark	5	2.38484	2.53887
Guilder	[illegible]	[illegible]	[illegible]
French Fr	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn Kr	[illegible]	[illegible]	[illegible]
Spanish Pta	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]	[illegible]

Gold

	Aug. 3	Aug. 2
Gold Bullion (fine ounce)		
Close	$287-287¾	$288¼-289¼
Opening	[illegible]	[illegible]
Morning fixing	[illegible]	[illegible]
Afternoon fixing	[illegible]	[illegible]
Gold Coins, domestically		
Krugerrand	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]
Old Sovereigns	[illegible]	[illegible]
Gold Coins, internationally		
Krugerrand	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]
Old Sovereigns	[illegible]	[illegible]
$20 Eagles	[illegible]	[illegible]
$10 Eagles	[illegible]	[illegible]
$5 Eagles	[illegible]	[illegible]

OTHER MARKETS

August 3	£	$		Note Rates
Argentina Peso	3114-3134	1370-1380	Austria	30.31
Australia Dollar	2.0035-2.0135	0.8825-0.8870	Belgium	68.5-70.0
Brazil Cruzeiro	60.20-61.20	26.50-26.95	Denmark	11.95-12.05
Finland Markka	8.73-8.75	3.8410-3.8430	France	9.60-9.75
Greek Drachma	82.246-84.212	36.25-37.10	Germany	4.10-4.20
Hong Kong Dollar	11.68-11.70	5.1520-5.1550	Italy	1,840-1,890
Iran Rial	163.08-169.87	72-76	Japan	495-505
Kuwait Dinar (KD)	0.623-0.633	0.2755-0.2756	Netherlands	4.50-4.60
Luxembourg Frc	66.40-66.50	29.27-29.29	Norway	11.40-11.55
Malaysia Dollar	4.9850-4.9950	2.1555-2.1565	Portugal	107-110
New Zealand Dlr	2.2170-2.2270	0.9770-0.9810	Spain	147-150
Saudi Arab. Riyal	7.61-7.71	3.3600-3.3615	Switzerland	3.70-3.80
Singapore Dollar	4.8725-4.8875	2.1542-2.1552	United States	2.26-2.28
Sth African Rand	1.9170-1.9270	0.8445-0.8490	Yugoslavia	44.5-46.5

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

Aug. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Aug. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 69.00-69.10c pm. Six-month forward dollar 3.19-3.00c pm; 12-month 5.13-5.03c pm.

EXCHANGE CROSS RATES

August 3	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.270	4.160	492.5	9.663	3.761	4.565	1881.	2.664	66.45
U.S. Dollar	0.441	1.	1.833	217.0	4.258	1.656	2.010	820.0	1.174	29.28
Deutschemark	0.240	0.546	1.	118.3	2.323	0.906	1.097	447.4	0.640	15.97
Japanese Yen 1,000	2.031	4.610	8.451	1000.	19.63	7.654	9.269	3781.	5.412	135.0
French Franc 10	1.035	2.349	4.305	509.4	10.	3.899	4.722	1926.	2.757	68.77
Swiss Franc	0.265	0.603	1.104	130.7	2.565	1.	1.211	494.0	0.707	17.64
Dutch Guilder	0.219	0.497	0.911	107.9	2.118	0.826	1.	407.9	0.584	14.56
Italian Lira 1,000	0.532	1.220	2.235	264.5	5.192	2.024	2.452	1000.	1.431	35.71
Canadian Dollar	0.375	0.852	1.562	184.8	3.627	1.414	1.713	698.6	1.	24.94
Belgian Franc 100	1.505	3.415	6.260	740.8	14.54	5.670	6.866	2801.	4.009	100.

LONDON MONEY RATES

Aug. 3 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills	Eligible Bank Bills	Fine Trade Bills
Overnight	—	[illegible]	—	—	—	[illegible]	[illegible]	—	—	—
2 days notice	—	—	[illegible]	—	—	—	—	—	—	—
7 days or 7 days notice	—	[illegible]	—	—	—	[illegible]	[illegible]	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14½
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	[illegible]	[illegible]	14½
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	14⅝
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	[illegible]	13¾
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	—	[illegible]	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rate nominally three years 13-13¼ per cent; four years 13-13¼ per cent; five years 13-13¼ per cent. Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14 per cent; four-month trade bills [illegible] per cent. Approximate selling rate for one-month Treasury bills [illegible] per cent; two-month [illegible] per cent; and three-month [illegible] per cent. Approximate selling rate for one-month bank bills [illegible] per cent; two-month [illegible] per cent; and three-month [illegible] per cent; one-month trade bills [illegible] per cent; two-month [illegible] per cent; three-month [illegible] per cent. Finance House Base Rates (published by the Finance Houses Association) 14 per cent from August 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 11-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.2552 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.5-11.75
Fed Funds	10.625
Treasury Bills (13-week)	9.34
Treasury Bills (26-week)	9.33

GERMANY

Discount Rate	5
Overnight Rate	6.20
One month	6.375
Three months	6.95
Six months	7.30

FRANCE

Discount Rate	9.5
Overnight Rate	10.375
One month	10.5625
Three months	10.6875
Six months	10.75

JAPAN

Discount Rate	5.25
Call (Unconditional)	5.625
Bills Discount (three-month)	7.0

PENDING DIVS.

Company	Date	Announcement last year
*Acrow	Aug. 7	Final 1.554
*Assoc. Dairies	Aug. 29	Final 0.416
*Ault and Wiborg	Aug. 8	Int. 0.72
*Automotive Products	Aug. 9	Int. 0.75
*BICC	Sept. 4	Int. 2.5
Barrow Hepburn	Aug. 16	Int. nil
BBA Group	Aug. 31	Int. 0.8777
*Bibby (J.)	Aug. 8	Int. 3.0
Blackwood Hodge	Sept. 5	Int. 1.3
Blue Circle	Aug. 24	Int. 3.22
*British Aluminium	Aug. 15	Int. 29.851
British Electric Traction	Sept. 7	Final 4.086
British Petroleum	Sept. 7	Int. 7.795
Brittains	Sept. 8	Int. 0.7
Cadbury Schweppes	Sept. 7	Int. 0.95
*Carrington Viyella	Aug. 15	Int. 0.67
Collins (Wm.)	Sept. 7	Int. 2.086
*Comben Gp.	Aug. 8	Int. ½p
*Commercial Union	Aug. 14	Int. 2.863
Corah	Aug. 17	Int. 0.9
Costain	Sept. 7	Int. due
Decca	Sept. 6	Final 8.[illegible]
Evode	Aug. 17	Int. 0.3629
Fairclough Cons.	Aug. 29	Int. 1.5
*GRE	Sept. 5	Int. 4.658
*General Accident	Aug. 15	Int. 4.125
*Gibbons Dudley	Sept. 13	Int. 0.74326
*Glynwed	Aug. 8	Int. 2.45
Guinness Peat	Sept. 8	Final 6.0
*Hambro Trust	Aug. 7	Final 1.37
Hepworth Ceramic	Sept. 5	Int. 1.75
Hoffnung (S.)	Aug. 25	Final 2.8142
House of Fraser	Aug. 24	Int. 1.8865
*ICI	Aug. 23	Int. 10.0
*IMI	Aug. 28	Int. 1.675
*Ladbroke	Aug. 29	Int. 3.8
Laing (J.)	Aug. 31	Int. 1
Lond. Merchant Secs.	Sept. 8	Final 1.167
Matthews Wrightson	Aug. 31	Int. 3.5953
Metal Closures	Sept. 4	Int. 1.9
Mills and Allen Int.	Aug. 31	Final 5
*Morgan Crucible	Sept. 6	Int. 3.653
Nurdin and Peacock	Sept. 5	Int. 0.87
Ocean Transport	Aug. 22	Int. 3.9192
Oltrex	Sept. 5	Int. 1.18
P & O	Sept. 6	Int. 3.0
*Pearl Ass.	Aug. 29	Int. 3.85
Phoenix Ass.	Sept. 6	Int. 5.112
Portals	Sept. 6	Int. 3.85
*Provident Financial	Sept. 4	Int. 1.8
Pye	Aug. 18	Int. 1.225
Rayback	July 12	Final 2.3512
Revertex	Sept. 4	Int. 1.17
*Royal Insce.	Aug. 16	Int. 7.272
*Security Services	Aug. 8	Int. 1.25
Sedgwick Forbes	Aug. 24	Int. 4.0
*Slough Estates	Aug. 29	Int. 1
*Smith and Nephew	Aug. 14	Final 0.9105
Staflex Intl.	July 28	Final nil
*Stenhouse	Aug. 23	Int. 1.825
Sun Alliance	Sept. 6	Int. 11.0
*Sunley (B.)	Aug. 13	Final 2.7
*Transport Developmt.	Aug. 16	Int. 1.25
Travis and Arnold	Sept. 6	Int. 0.7725
*Tube Invs.	Aug. 16	Int. 10.975
*Turner and Newall	Sept. 6	Int. 4.5
*Unilever	Aug. 15	Int. due
Union Corpn.	Aug. 29	Int. 15 cents
*Utd. Dominions Trust	Aug. 8	Final nil
*Wagon Finance	Aug. 31	Int. 0.625
Weir Group	Aug. 30	Int. 1.8634
*Woolworth (F. W.)	Aug. 15	1.225

* Board meeting intimated. † Rights issue since made. ‡ Tax free. ‖ Scrip issue since made. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	14 %	■ Hambros Bank	14 %
Allied Irish Bank Ltd.	14 %	■ Hill Samuel	§14 %
Amro Bank	14 %	C. Hoare & Co.	†14 %
American Express Bk.	14 %	Julian S. Hodge	15 %
A P Bank Ltd.	14 %	Hongkong & Shanghai	14 %
Henry Ansbacher	14 %	Industrial Bk. of Scot.	14½%
Associates Cap. Corp.	14 %	Keyser Ullmann	14 %
Banco de Bilbao	14 %	Knowsley & Co. Ltd.	15½%
Bank of Credit & Cmce.	14 %	Lloyds Bank	14 %
Bank of Cyprus	14 %	London Mercantile	14 %
Bank of N.S.W.	14 %	Edward Manson & Co.	15 %
Banque Belge Ltd.	14 %	Midland Bank	14 %
Banque du Rhone et de la Tamise S.A.	14½%	■ Samuel Montagu	14 %
Barclays Bank	14 %	■ Morgan Grenfell	14 %
Bremar Holdings Ltd.	15 %	National Westminster	14 %
Brit. Bank of Mid. East	14 %	Norwich General Trust	14 %
■ Brown Shipley	14 %	P. S. Refson & Co.	14 %
Canada Perm't Trust	14 %	Rossminster	14 %
Cayzer Ltd.	14 %	Ryl. Bk. Canada (Ldn.)	14 %
Cedar Holdings	14 %	Schlesinger Limited	14 %
■ Charterhouse Japhet	14 %	E. S. Schwab	15 %
Choulartons	14 %	Security Trust Co. Ltd.	15 %
C. E. Coates	14 %	Shenley Trust	16 %
Consolidated Credits	14 %	Standard Chartered	14 %
Co-operative Bank	*14 %	Trade Dev. Bank	14 %
Corinthian Secs.	14 %	Trustee Savings Bank	14 %
Credit Lyonnais	14 %	Twentieth Century Bk.	15 %
The Cyprus Popular Bk.	14 %	United Bank of Kuwait	14 %
Duncan Lawrie	14 %	Whiteaway Laidlaw	14½%
Eagil Trust	14 %	Williams & Glyn's	14 %
English Transcont.	14 %	Yorkshire Bank	14 %
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	15½%		
■ Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12% and over £25,000 12¼%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p‡	+ or −	Div. F. or Amount	Times Covered	Gross Yield	P.E. Ratio
¶¶	F.P.	24/8	75	60	Arrow Chemicals	71	+3	b2.0	2.3	4.0	15.6
60	F.P.	11/7	91	74	B & Q (Retail) 5p	77	.....	3.46	2.8	3.2	16.5
80½	F.P.	27/7	105½	95½	Fairline Boats	102	...	b3.5	3.6	4.9	7.3
¶¶	F.P.	—	58	52	Malay'n Pl'ts Berhad	54	...	bQ18c	1.3	8.3	—
160	F.P.	5/9	187	173	Mercantile House	185	+5	10.72	2.3	8.5	7.4
**	F.P.	10/8	37	26	Mettoy Dfd.	26	.....	—	—	—	—
¶¶	F.P.	—	44	35	Phicom 10p.	37	...	N1.0	4.6	3.9	13.4
¶¶	F.P.	—	35	30	St. George Assets 10p	32	+1	bd1.0	1.5	4.5	20.7
160	F.P.	6/8	190	178	StandardTel.&Cables	190	.....	b8.0	2.1	6.0	11.

FIXED INTEREST STOCKS

Issue Price £	Am'unt Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
¶91	F.P.	21/9	87	86½	Aurora 8¼ Conv. Cum. Pref.	87	....
100	F.P.	20/7	101¼	93	English & Overseas Inv. Conv.	95	...
¶96½	F.P.	—	101¾	108¼	Essex Water 8% Red Pref. 1984	101¾	+3½
100	F.P.	27/7	115	107½	Kwik-Fit (Tyres) 8% Cnv. Ln. 1979/85	115	
100	F.P.	20/7	102	87	Marsh'll's Univ'rs'l 7½% Cnv.Cum.Red.Prf.	88	.....
100	F.P.	30/8	102	100	Portsmouth Water 8% Red. Prf. 1984	101½	..
97	Nil	—	98¾	97¾	Scot. Agricultural Sec. 13% Deb. 97-99	98	+¼
100p	—	—	102	100	Stonehill 10½% Cum. Prf.	100	.. ..
¶98	F.P.	24/8	101	100½	Sund. & S. Shields Water 8% 1986	101	..
¶98	F.P.	18/10	101	100½	Wrexham Water 8% 1984	101	...

"RIGHTS" OFFERS

Issue Price p‡	Am'unt Paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1979 High	1979 Low	Stock	Closing prices p‡	+ or −
14	Nil	—	—	4 pm	4 pm	Abwood Machine Tools	4pm	..
A$2	Nil	—	—	40pm	57pm	Bank of New South Wales	40pm	+1
36	F.P.	9/7	10/8	41	36½	Causton Sir (J.)	40	−1
65	F.P.	17/7	10/8	90	82	Century Oils	85	−1
58½	F.P.	10/7	10/8	63	55	Combined English Stores	59	−1
30	F.P.	3/8	24/8	41	40½	Control Securities	40½	..
25	Nil	8/8	10/8	4pm	3pm	Edinburgh & Gen.	3½ pm	...
195	F.P.	20/7	10/8	223	208	Elliott (B.)	208	....
25	Nil	—	—	26pm	13pm	Goodkind (W.)	14pm	+1
60	F.P.	5/8	7/9	88	77	Goldberg (A.)	82	+3
126	F.P.	29/6	10/8	148	131	Grand Metropolitan	146	+1
50	F.P.	6/8	31/8	121	100	Hanson Trust	118	+4
47	F.P.	30/7	26/8	50	47½	Hargreaves	49	...
118	Nil	—	—	14pm	10pm	Hay's Wharf	10pm	−5
88	F.P.	27/7	24/8	101	91	Highland Dist.	96	−1
165	F.P.	13/7	24/8	208	182½	Holt Lloyd Intl	204	..
110	F.P.	8/7	7/9	114	107	Intl. Timber	110	+3
30	Nil	—	—	8½pm	6pm	Lennons	8½pm	...
25cts	Nil	15/8	17/8	1pm	Nil	Ovenstone	Nil	...
60	F.P.	20/7	10/8	129	110	Sound Diffusion	120	.....
108	F.P.	27/7	30/8	194	126	Stylo Shoes	194	+12
57	F.P.	20/7	24/8	69	60	UBM	69	−1½
87	F.P.	13/7	10/8	110	94	W.G.I.	105	.....

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 income shares and 10 Capital shares at 125p per unit.

CORAL INDEX: Close 455-460

INSURANCE BASE RATES

† Vanbrugh Guaranteed	12½%
† Property Growth	11½%

† Address shown under Insurance and Property Bond Table.

INSURANCE

Legal dilemma in an international contract

BY OUR INSURANCE CORRESPONDENT

THIS IS the time of the year when the pace and clamour in most of Europe's capitals and commercial centres diminish; when even in London at mid-day tourists may seem to out-number lunchtime workers. August provides time to take a few deeper breaths, watch some of the dust settle, and relax.

For British lawyers and insurers grappling with the evolving complexities of EEC harmonisation, compulsory leisure-time reading was provided last Thursday by a working group of the English and Scottish Law Commissions on the esoteric subject of Choice of Law Rules in the Draft Non-Life Insurance Services Directive.

Several years have elapsed since that directive was first mooted and probably three more will pass before the final and undoubtedly much compromised version is produced. Even then, another 18 months will elapse before the directive has to be incorporated in our law.

For negotiators the time-scale is daunting. Present arguments, even when they lead fairly quickly to firm decisions, cannot be expected to have much impact this side of 1984. On the other hand, such is the process of negotiation that, once firm decisions have been taken on particular aspects, it is difficult, even in the light of subsequent developments, to reconsider them.

Thus the resolution of current arguments on choice of law rules, perhaps early in 1980, is likely to set the pattern for the latter part of the 1980s and on into the following decade.

Any transaction across frontiers, be it for the sale of goods or the supply of services, potentially involves two or more legal systems. In that respect, insurance is no different from any other service.

Perhaps the simplest illustration is provided by the question facing the British owner of a French holiday home who buys insurance here in London. Which law is to apply to the contract and to any servicing of claims that are made? English law or French law?

Our courts say, firmly English law, provided that that choice is clearly expressed. But there lies a ground of contention, for many European countries wish to retain so far as possible their existing protectionist and restrictive rules, which, even if partly adopted in the ultimate directive, would restrict British freedom of choice and preclude Europeans from enjoying comparable freedom.

Without going into fine detail, it is interesting, indeed pleasing, to see that the Law Commission's working party has come down firmly against the latest Brussels draft of choice of law rules and is arguing in terms not dissimilar from those used by insurers themselves.

The working party has of course consulted insurers, but experience has shown that such consultation does not always breed identity of views.

One has only to read the criticism of British insurance law made in the Law Commission's working paper 73 on non-disclosure and breach of warranty, and then to read insurer's submissions to the Law Commission, to see how far apart their minds may be on particular subjects.

Differences of emphasis and opinion inevitably arise from time to time; even perhaps downright disagreements between British insurers and such bodies as the Law Commission.

Where those differences are of domestic consequence only, publicity presents no setback, but where they may influence the stance of British negotiators in Brussels, provide ammunition for European critics of British proposals and, ultimately, harm Britain's overseas trading position, it is surely essential that those differences are thoroughly examined and, if possible, resolved before either side has to rush into print. The rule should be for the maximum consultation before publication.

As it is, the Law Commission has had several weeks of summer to reconsider the views expressed in its working paper 73 and to decide what views it should put forward in its final report on another EEC draft directive, on the co-ordination of laws, regulations and administrative provision relating to insurance contracts.

Insurers must be hoping that when the commission's report on that is published in late autumn, many current differences will have been eliminated and that thereafter British lawyers and insurers will be able to present, on that aspect also, a reasonably united negotiating front in Brussels.

APPOINTMENTS

APPOINTMENTS

Harveys of Bristol group executives

Mr. James Ferguson, managing director of John Harvey and Sons (España) Jerez de la Frontera, and **Dr. Antonio Filipe**, managing director of Cockburn Smithes and Cia. Ltda., Oporto, have been appointed directors of the parent company, HARVEYS OF BRISTOL. Mr. Ferguson has been elected a director of John Harvey and Sons (Portugal) the holding company of the group's interests in Oporto. Dr. Filipe will join the Board of John Harvey and Sons (España). Mr. Ferguson and Dr. Filipe will continue to be based in Jerez and Oporto respectively.

*

Mr. M. J. Hudson has joined CHARLES WADE AND CO. as joint managing director. He was previously commercial manager, BSC Plates, British Steel Corporation.

*

Mr. Geoffrey Bell, formerly deputy managing director of Iran Overseas Investment Bank, London, has been appointed general manager of the EUROPEAN AMERICAN BANKING CORPORATION'S new branch in Luxembourg.

This is the bank's first branch in Europe, and it will specialise in foreign exchange, currency consulting and Eurocurrency markets. The bank is part of the European American Bank Corporation, the 27th largest bank group in he U.S.

*

Sr. Claudio Boada has been appointed chairman of BANCO DE MADRID and of its industrial bank, BANCO CATALAN DE DESARROLLO.

*

JOHN MENZIES (HOLDINGS) has rearranged its divisional management structure. The wholesale division comprises: **Mr. T. P. Callaghan**—managing director; **Mr. D. J. Mackay**—operations director; **Mr. A. D. Brown** — financial controller. Regional directors are: **Mr. R. H. Brizell**—Scotland; **Mr. W. L. Blair**—Northern and **Mr. W. L. Dalrymple**—Southern. The retail division consists of: **Mr. P. A. C. Richardson**—managing director; **Mr. R. Black**—director; **Mr. A. J. Bevan**—operations director; **Mr. A. N. Burns**, financial controller and **Mr. M. R. Lane**—merchandising director.

*

The SCIENCE RESEARCH COUNCIL states that **Professor John Houghton**, Professor of Atmospheric Physics, Oxford University, will take up his appointment as Director (Appleton) in the combined Appleton and Rutherford Laboratories on September 1, following the retirement of Dr. F. Horner on August 28. Professor Houghton, who will be on a five-year secondment, will maintain links with the work of his University Department.

*

COMMON BROTHERS has made the following group changes: **Mr. J. W. Common** has been appointed chairman and **Mr. G. A. Common**, managing director of Hindustan Steam Shipping Company. **Mr. E. B. Hobson, Mr. M. W. Latham** and **Mr. A. P. McMullen** join the Board of that company. At South Docks Supply Company, **Mr. A. C. Griffiths** is chairman and **Mr. A. Adams, Mr. J. B. Bunnis** and **Mr. D. J. Sterrett**, directors.

*

Mr. F. J. Randall has been appointed group financial controller and **Mr. S. J. Ball**, treasurer, of UNITED DOMINIONS TRUST.

*

Mr. M. I. R. Dickson has been appointed managing director of ROXBURGH HENDERSON, the forwarding and travel agency at Glasgow of OCEAN TRANSPORT AND TRADING. He succeeds **Mr. L. A. Lyall**, who is to retire next year. Mr. Lyall continues as executive chairman of Roxburgh Henderson.

TEL AVIV

Company	Prices Aug 3 1979	Change on the week
Bank, Insurance and Finance		
Bank Leumi le Israel...	413	+ 4.0
IDB Bankholding	488	+ 5.0
Bank Hapoalim Br.	509	+ 5.0
Union Bank of Israel Br	434	+ 2.0
United Mizrahi Bank	297	+ 4.0
Hassneh Insurance Br....	303	− 17.0
Gen. Mortgage Bank Br	306	− 6.0
"Tefahot" Israel Mrtge	311	− 17.0
Land Development		
Af. Israel Inv. (IE103)	845	− 15.0
Israel Land Develop. Br	188	+ 6.0
Property and Building...	375	− 8.0
Public Utility		
Israel Electric Corp. ...	240	− 22.0
Investment Companies		
Bank Leumi Invest.	329	− 6.0
"Clal" Israel Invest.	570	− 2.0
Commercial and Industrial		
Alliance Tyre & Rubber	1,232	+ 67.0
Elco Br	274	− 9.0
Argaman Textile Br.	440	− 19.0
"Ata" Textile "B"	159.5	− 0.5
Amer. Israeli Ppr Mills	810	− 25.0
Assis	485	+ 8.0
Elite	485b	+ 7.0
Teva Reg.	561	− 6.0

Source: Bank Leumi le-Israel BM, Tel Aviv b Bid

WORLD STOCK MARKETS

Indices

NEW YORK—DOW JONES

	Aug. 3	Aug. 2	Aug. 1	July 31	July 30	July 27	1979 High	1979 Low	Since Compil'n High	Since Compil'n Low
♦ Industr'ls	846.16	847.95	850.34	846.42	838.74	835.76	878.72 (10/4)	807.00 (27/2)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	85.66	85.59	85.90	85.78	85.51	85.59	85.99 (2/8)	82.92 (8/5)	—	—
Transport.	254.97	256.63	258.72	254.53	252.09	251.70	256.72 (1/8)	205.78 (27/2)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	108.02	108.15	108.49	108.80	108.02	108.15	108.80 (31/7)	98.51 (15/5)	163.32 (20/4/65)	10.58 (28/4/42)
Trading Vol 000's	28,180	37,770	38,650	34,480	28,660	27,900	—	—	—	—

♦ Day's high 850.51 low 842.32

Ind. div. yield %	July 27	July 20	July 13	Year ago (approx)
	5.75	5.83	5.78	5.47

STANDARD AND POORS

	Aug. 3	Aug. 2	Aug. 1	July 31	July 30	July 27	1979 High	1979 Low	Since C'mpil'tn High	Since C'mpil'tn Low
‡Indust'ls	114.96	115.02	115.17	114.77	114.07	114.03	116.69 (9/7)	107.08 (27/2)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	104.04	104.10	104.17	103.81	103.16	103.10	104.47 (9/7)	96.13 (27/2)	125.85 (11/1/73)	4.40 (1/6/32)

	Aug. 1	July 25	July 18	Year ago (approx)
Ind. div. yield %	5.22	5.34	5.32	4.76
Ind. P/E Ratio	8.07	7.99	7.87	9.78
Long Gov. Bond Yield	8.91	8.91	8.92	8.45

N.Y.S.E. ALL COMMON

Aug. 3	Aug. 2	Aug. 1	July 31	1979 High	1979 Low
59.33	59.35	59.36	59.14	59.36 (1/8)	53.88 (27/2)

Rises and Falls	Aug. 3	Aug. 2	Aug. 1
Issues Traded	1,852	1,871	1,873
Rises	657	821	885
Falls	742	656	580
Unchanged	453	395	408
New Highs	70	120	103
New Lows	4	4	3

MONTREAL	Aug. 3	Aug. 2	Aug. 1	July 31	1979 High	1979 Low
Industrial	259.95	262.25	262.24	265.57	278.19 (29/6)	219.18 (2/1)
Combined	261.28	262.55	262.48	265.32	276.18 (29/6)	225.88 (2/1)
TORONTO Composite	1557.8	1560.9	1558.1	1555.1	1618.5 (29/6)	1315.9 (2/1)
JOHANNESBURG Gold	286.5	287.3	286.5	291.4	308.4 (25/6)	228.4 (17/4)
JOHANNESBURG Industrial	317.0	318.6	317.7	316.1	330.8 (25/5)	278.5 (2/1)

	Aug. 3	Previous	1979 High	1979 Low
Australia (¶)	595.07	593.82	597.68 (19/3)	545.72 (2/1)
Belgium (‖)	105.15	105.75	190.00 (5/7)	98.80 (3/1)
Denmark (**)	96.59	96.50	97.46 (25/7)	88.32 (8/1)
France (††)	87.2	86.5	87.3 (11/7)	71.5 (15/2)
Germany (‡‡)	765.7	763.9	830.6 (18/1)	719.4 (7/6)
Holland (§§)	75.4	74.9	85.9 (24/1)	71.3 (7/6)
Hong Kong	608.56	closed	624.40 (30/7)	493.83 (2/1)
Italy (‖‖)	82.94	83.55	83.74 (1/8)	68.38 (2/1)
Japan (a)	447.30	445.85	462.97 (31/1)	435.15 (13/7)
Singapore (b)	385.88	384.41	404.13 (28/6)	345.34 (25/2)
Spain (d)	95.92	94.08	111.96 (8/3)	91.42 (13/2)
Sweden (e)	351.00	350.88	401.34 (8/2)	339.86 (25/6)
Switzerl'd (f)	315.4	316.2	329.1 (2/5)	294.0 (3/1)

Indices and base dates (all base values 100 except NYSE All Common—50; Standards and Poors—10; and Toronto 300—1,000; the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 29/12/78. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Bally Mfg.	436,100	40⅞	− ¾
Exxon	403,900	54⅞	− ⅛
CNA Financial	330,700	14	− ⅛
Beech Aircraft	318,300	23⅞	− ⅛
Southern	296,700	13	− ⅛
Am. Tel. & Tel.	290,600	57⅞	− ⅛
Tandycrafts	287,400	5⅛	+ ⅛
Texaco	280,500	28	+ ⅛
MGIC Investmt.	254,300	31⅞	− ⅛
IBM	251,200	68⅞	− ⅛

EUROPE

AMSTERDAM

BRUSSELS/LUXEMBOURG

SPAIN ♥

TOKYO ¶

COPENHAGEN ♣

VIENNA

STOCKHOLM

GERMANY ♦

SWITZERLAND ●

MILAN

OSLO

PARIS

HONG KONG

BRAZIL

AUSTRALIA

JOHANNESBURG

Financial Rand U.S.$0.84½ (Discount of 29¾%)

WALL STREET

NEW YORK

CANADA

هكذا من الأصل

INTERNATIONAL BONDS

BY FRANCIS GHILÈS

D-Mark remains in the limelight

A STRONG SURGE in demand for Deutsche-Mark and guilder-denominated paper characterised the Eurobond markets last week, while in the sterling sector profit-taking pushed down the prices of most issues. Meanwhile, the dollar sector of the market witnessed less activity than at any time since last autumn.

Fashions change fast, and nowhere more rapidly than in currencies: D-Mark bonds were already keenly sought after in late June, but the second half of last week produced a level of activity which has not been seen since before the Carter package last November.

Less than two weeks ago the German Capital Markets Sub-Committee agreed to a calendar of DM 200m-worth of new D-Mark bonds for the month to August 23. But since the Sub-Committee met, DM 600m-worth of new issues has been floated in the foreign D-Mark sector, and last week alone the Bundesbank sold close to DM 500m-worth of domestic bonds to satisfy investor demand, much of which was coming from abroad.

The 7.21 per cent yield offered on the eight-year DM 200m private placement for the World Bank, arranged by Deutsche Bank, is the lowest for DM paper of this maturity for at least four months, while the 6.87 per cent yield offered on the five-year DM 50m private placement for Girozentrale is the lowest for three months. Demand was very strong for all the new issues on offer, which enabled the lead managers to trim yields during the offering period.

Thus, Dresdner Bank priced the DM 100m issue it arranged for Sweden above par, while Deutsche Bank was able to cut the coupon it was offering on the DM 100m public issue for the Asian Development Bank twice within a period of 48 hours.

All new issues performed well in the secondary market: the bond for the Asian Development Bank, which was priced at 99¾, rose to 100½-101 on Friday, the first day it was traded. Foreign Deutsche Mark issues gained an average of ⅜ of a point on the week, with much sharper rises posted on some issues. The 6¾ per cent New Zealand of 87 bond rose by 3⅞ points to close at 101¼. Yields of seasoned Deutsche Mark issues fell by up to 35 basis points at the longer end on the week.

Demand for domestic D-Mark paper was stronger than for foreign paper: the more sophisticated institutions and central banks prefer to buy the former as the yields offered on good-quality paper are still substantially above what they can obtain on foreign bonds.

The much larger pool of domestic as opposed to foreign D-mark bonds also allows investors greater flexibility. Selling large blocks of foreign D-mark bonds can prove very difficult, particularly when market conditions deteriorate.

Investor attention was also directed to the guilder market, where yields on outstanding foreign bonds were about ⅜ of a point lower on the week even after some profit-taking on Friday. Nevertheless, five-to-six year paper still offers the investor yields of 8½-7¾ per cent, which is markedly more generous than on the equivalent D-mark bonds.

Only two new dollar-denominated issues were announced last week: a $25m floating rate note for Banco Latinoamericano de Exportaciones through Merrill Lynch, and a $150m straight issue for Canada's Export Development Corporation, through Crédit Suisse First Boston. This bond carries a bullet maturity of five years, and the lead manager has kept to the traditional commission structure. Commissions total 2 per cent, 1½ per cent of which is accounted for by the selling group concession.

In the secondary market, trading activity was virtually nil. The so-called "Volcker rally" which developed in the New York bond market did not get going on this side of the Atlantic. Issues which started trading last week performed badly: the $125m bond for Michelin was quoted at 97¼-¾.

This prime corporate name was badly received — first because the market was in no mood for any paper denominated in dollars, and secondly because the 15-year maturity of the bond was felt to be far too long at a time when most bankers are anticipating a rise in U.S. interest rates.

That very select group of convertibles arranged for Chrysler, two denominated in U.S. dollars, two in Canadian, posted sharp falls last week after the announcement that the company had lost a record $207m during the second quarter and was to omit its third quarter dividend. The 4¾ per cent Chrysler bonds of 88 dropped by eight points, and were being offered around the 60 level last Friday: at that level, they yield 13.12 per cent to maturity.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life Years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
††§Canon Inc.	80	1994	—	*	*	Goldman Sachs	*
‡†Banco de Chile	35	1986	7	6½Φ	100	Man. Hanover	6.61Φ
‡†Krung Thai Bank Ltd.	25	1984	5	6¾Φ	100	Man. Hanover	6.86Φ
†Citicorp	100	1983	3½	—	100	Crédit Suisse First Boston	—
†Banco Lainoamericano	25	2984	5	6½Φ	100	Merrill Lynch Int.	6.61Φ
‡EDC	150	1984	5	9¾	100	Crédit Suisse First Boston	9.75
D-MARKS							
‡Asian Dev. Bank	100	1989	10	7¼	99¾	Deutsche Bank	7.29
‡**Norges Kommunalbank (g'teed Norway)	100	1989	7½	7⅜	100	WestLB	7.38
**World Bank	200	1987	8	7⅛	99½	Deutsche Bank	7.21
‡**Sweden	100	1989	10	7½	100½	Dresdner Bank	7.43
§UNY	50	1985	—	6¾	100	Deutsche Bank	6.75
**Gironzentrale Bk. Oest.	50	1984	5	6⅞	100	WestLB	6.875
SWISS FRANCS							
EIB	100	1994	n.a.	4⅜	99½	Soditic	4.425
‡**Sweden	100	1984	n.a.	4¼	99¾	Bank Leu	4.31
‡**Oesterreichische Kontrollbk.	60	1984	n.a.	4⅜	100	Swiss Volksbank	4.375
‡**Daichi Hotels (g'teed Long-Term Cr. Bk. of Japan)	20	1986	n.a.	4¾	100	Swiss Volksbank	4.75
‡**Golden Eagle	50	1985	n.a.	4¾	100	UBS	4.75
Shikoku Elec. Power	100	1989	n.a.	4¾	100	UBS	4.75
‡**§UNY	50	1985	—	4¾	100	Swiss Bank Corp.	4.75
‡**§Tokyu Car Corp.	35	1984	—	4¼	100	UBS	4.81
YEN							
EIB	15bn	1989	¶	7¾	99½	Nomura	7.86
KUWAITI DINARS							
‡Credit Immobilier (g'teed Morocco)	6	1989	4.35	8¼/8½	99¾	KIIC	8.79

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible.
†† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund.
Note: Yields are calculated on AIBD basis.

GERMAN BANKS

BY DAVID MARSH

Cultivating the schuldschein note

OVER THE last one to one-and-a-half years, West German banks have emerged as substantial borrowers of long-term funds on the international capital markets—but in a way which seldom shows up in any of the published Euromarket statistics. Partly because of increasing foreign investment demand for the Deutsche-Mark, and partly because of their own need to refinance international lending activities, the banks' head offices in Frankfurt, Dusseldorf and Munich have raised almost as much long-term capital from abroad since the beginning of 1978 as they had done in the previous 30 years put together.

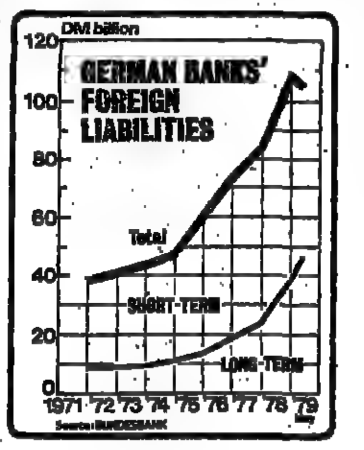
According to the latest figures from the Bundesbank, the banks' long-term foreign liabilities (of more than one year) had risen to DM 45.6bn by the end of May, from DM 38.6bn at the end of last year and DM 23.6bn at end-1977. Of the DM 22bn increase since the start of 1978, DM 13.8bn has flowed in from the international money centres of Belgium/Luxembourg, Switzerland and the UK, while the surprisingly large figure of DM 3.4bn has been deposited by non-OPEC developing countries (direct deposits by OPEC itself have accounted for only DM 700m of the increase).

Much of the influx of funds has been by way of a peculiarly German borrowing instrument which offers marked advantages to both banks and investors—the Schuldschein, or promissory note.

These are issued in large denominations (the normal minimum amount is DM500,000) particularly by the large state-owned Landesbanks, whose borrowings are guaranteed by the Laender Government. Unlike bond issues, Schulscheine are only moderately marketable. But the crucial point for foreign investors is that, not being officially classed as securities, they are free of the 25 per cent coupon tax levied on foreign purchasers of domestic D-Mark bonds.

They also offer a unique opportunity for non-residents to buy into comparatively short-term German paper. As part of the Bundesbank's capital controls, foreigners at present are not allowed to invest in domestic securities of less than four years maturity.

There are no published statistics on Schuldscheine, and the exact identity of the investors operating on the market is shrouded in mystery. But it is known that large amounts of these notes have been bought



by central banks, especially from OPEC and other developing countries, as a means of diversifying reserves. These transactions take place either directly with the bank in Germany, or indirectly via other banks on the Euromarket. Large institutional investors such as insurance companies and investment funds are also active buyers at times.

The banks themselves have been pleased with the activity of the promissory note sector. Particularly this year, they have been forced into longer-term refinancing from abroad to offset the squeeze on domestic liquidity caused by the Bundesbank's tight money policy and the sharp reductions in their short-term liabilities during the period of heavy short-term capital outflows from January to May.

One reason for the banks' preference for longer-term issues is that external borrowings of more than four years are not subject to the minimum reserve levy which banks have to pay on shorter-term foreign liabilities.

It was this loophole which some banks were half expecting the Bundesbank to close last month: just before the rise in the German discount rate on July 12, the foreign exchange market was rife with rumours that the central bank would place a punitive minimum reserve on Schuldschein borrowing as part of an effort to take the heat of the D-Mark.

But the Bundesbank in fact took no action. Officials have since made clear that the central bank would interfere with banks' ability to refinance abroad only under the most extreme conditions of foreign exchange unrest.

None the less, the build-up of banks' foreign liabilities is definitely causing headaches at the central bank. As it is not matched by a corresponding increase in banks' long-term foreign lending, which has risen a mere 30 per cent since end-1977, it is distorting the German balance of payments picture. The Bundesbank has for years been stressing that Germany should export enough long-term capital to offset its current account surplus—but in fact this has happened only twice this decade.

Above all, the desire for long-term D-Mark investments by large foreign investors and central banks is spotlighting a development which the Bundesbank hopes will go away, but—in view of the dollar's persistent weakness—probably will not: the growing importance of the D-Mark as an international reserve currency.

U.S. BONDS

BY DAVID LASCELLES

Market makes up its mind

THE U.S. BOND market in the past few days has cast off whatever lingering doubts it had that the U.S. is heading for a recession. Bond prices have advanced strongly, particularly at the long end of the market, and everyone's attention has now turned to tracking the downward path of interest rates: how quickly, and how evenly, will they decline?

The strength of the market last week was particularly striking in view of the sharp upturn in short-term interest rates that occurred the week before (Fed Funds went up to 10⅝ per cent, and the prime rate to 11¾ per cent). However, far from presaging bad times, these rises were taken as a good sign for the long term. So, although short-term securities weakened a little, the fixed income market as a whole surged ahead.

Long-dated industrials added as much as a whole point over the week, a remarkable gain in a market where a move of a fraction of a point can set dealers twitching.

Another sign of strength was the ease with which the market absorbed the Treasury's $7.25bn quarterly financing, a move which set new bench marks for the interest rate cycle. The $2.75bn of three-year notes sold at an average of 9.06 per cent, the lowest since the middle of last year. The $2.5bn of 7½-year notes went at 9 per cent, and the $2bn of long-term bonds (29¾ years) sold at an average rate of 8.92 per cent. Although the market checked its advance briefly on Friday to digest the offering, these rates were all below market predictions.

The Dow Jones Municipal Bond yield index dropped during the week from 6.95 per cent to 6.86 per cent.

With most of the available data now strongly pointing to declining economic activity—the main exception being unemployment, which has not risen sharply—the question is how steeply interest rates will decline.

Short-term rates are likely to remain volatile. Fed Funds could well go up again if the Fed, under its new disciplinarian chairman, Mr. Paul Volcker, grows concerned about the money supply or the dollar.

Uncertainties about the ailing condition of Chrysler, the large motor dealer with huge debts in the money markets, might also weaken short-term commercial paper rates.

The long-term market, though, is expected to build on its recent gains. Mr. Elliott Platt, money market economist at Donaldson Lufkin and Jenrette, reports that the market is "dominated by the anticipation of further economic weakness," which will lead to lower interest rates and to some cyclical deceleration in inflationary pressures. As the economy slows down, it should also be easier for the Fed to control the money supply, he says.

Mr. Geoffrey Nichols, chief economist at Argus Research, expects that "short-term rates will decline by approximately 300 basis points from current levels to their cyclical troughs in the first half of 1980, while long-term yields, on high quality corporate issues, for example, may fall by roughly 100 to 125 basis points."

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.84
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.04
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.29

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Aug. 3 ...	84.78	8.83	88.33	9.60
July 27 ...	85.38	8.68	88.41	9.45
High '79 ...	85.75	(1/2)	88.89	(30/1)
Low '79 ...	84.40	(11/1)	88.33	(1/8)

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	970.6	2,002.5
Previous week ...	779.3	2,096.2
Other bonds		
Last week	438.3	386.4
Previous week ...	269.9	408.7

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 [illegible] international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co., Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on August 3

Foreigners call the tune

BY MARTIN TAYLOR

WHEN EXCHANGE controls on the purchase of EEC securities were relaxed a fortnight ago it was almost universally agreed that Germany had the most attractive stockmarket on the Continent. British fund managers might or might not choose to wait a little before committing themselves — sterling, after all, was rising by a cent or so a day — but the German market looked, at least to the London stockbrokers who were advising them, as if that was the place to be. Unanimity is suspicious, and British investors have done more cautious sniffing around than buying in the past couple of weeks. Those that have bought have not done badly — German equities have been agreeably firm.

The German banks are delighted at the prospect of doing business with British residents, but they are finding it hard to get enthusiastic about their own market at the moment. The present buying, much of it from abroad, seems to be taking place rather against the banks' advice; professional German traders are buying here and there in the wake of the foreigners, but they are very circumspect.

Their worries concern the state of the German economy, which the market, for the moment at least, is resolutely ignoring. Growth forecasts are being trimmed steadily back—the expectations for 1980 growth are now nearer 3 per cent than the previously accepted 4½ per cent—and spending on manufactured consumer goods is suffering as the Germans concentrate their spending power on the indispensables, motoring and holidays.

This winter the price of heating oil will be up sharply and that, too, will absorb a large chunk of disposable income, which is unpromising for the important department store sector. Although the worst of the inflationary push seems to be over, the year-on-year inflation rate will go on rising for a few months yet, if only because monthly retail price changes in the autumn of last year were very small. This is likely to increase expectations at the wage-bargaining table. Earlier forecasts that German corporate profits might grow by up to 15 per cent this year now look over-optimistic.

But over the last year or so the market has been increasingly dominated by external financial flows. Funds have been coming into marks out of the dollar, which is nothing new in itself, but now the short-term currency traders have been joined by American pension funds and Middle East money managers, who look to Germany as a long-term investment and are interested in the equity market. It is significant that the top of the German market last autumn almost coincided with the November 1 package to defend the dollar. As the mark fell, so did the market.

This implies that the German equity market is not particularly worried about the effect of a steady mark revaluation on the competitiveness of the German corporate sector. A sudden 5 per cent movement can be worrying, but experience has shown time and again that the rising mark does not pose insoluable problems—after all, German exporters, unlike the Japanese, are not chiefly engaged in selling volume goods that are extremely sensitive to price movements.

Clearly a British investor must assess his own currency risk before buying a foreign security, but in Germany particularly he is dealing with a market that can be influenced by the changing currency perceptions of a host of international investors. If the dollar recovered soundly, for example, U.S. investors might very well lose interest in German equities overnight, their present buying is widely supposed to be no more than a currency hedge.

"The Bourse is feeding on fantasy and liquidity," according to one sceptical German trader. Liquidity here means the foreign money, and the liquid assets of the German unit trusts, which seem to be holding between 15 and 30 per cent of cash or near cash in their portfolios. The insurance companies, too, having been tempted to dip their toes in the equity market by the 1977 tax reforms, which allowed net funds and private taxpayers a tax credit, could still increase their equity holdings a good deal—at present equities probably account for under 10 per cent of their investments. If the foreign interest drags the German institutions off the sidelines, the market could rise very rapidly.

This is all very well, but the Bundesbank has been keeping money so tight that funds are tempted to stay in the short term money market, where they can earn over 6 per cent. Money will stay tight through early August as heavy repurchases arranged with the Bundesbank fall due, and no one is in any doubt about the authorities' determination to keep the brakes on until they are satisfied that inflationary pressures have died down.

The long bond market has been very strong recently: there was enormous demand for the latest 8 per cent 10-year Federal loan, and the next issue may have a 7½ per cent coupon, if a slightly shorter life. It is quite possible that money market rates will be driven above the long bond rate for a while later this year. The Federal budget deficit is nearly four-fifths covered, so the supply of new paper should be relatively small between now and the year-end, but the secondary bond market in Germany is still tightly controlled by the Bundesbank, which sells out of its own portfolio—around DM 200m on a typical day last week—to limit the markets' advance.

So much for liquidity. Fantasy is rather less tangible, and manifests itself in different ways; sometimes it looks like anticipation. For example, U.S. funds were particularly strong buyers of German equities as soon as the British exchange controls were relaxed, presumably on the principle that demand from London would soon drive the market up. In other cases it has been over done—earlier this year the market was gripped with China-euphoria: China was a bottomless source of orders for German heavy engineering companies, or so it seemed at the time.

The recent bout of interest in German shares has done the rounds of the different sectors, pushing one up 5 per cent or so and then turning elsewhere. The underlying theme, though, has been energy, which in Germany increasingly means nuclear energy, an extremely hot political question that the market now considers is more or less settled. So there has been interest in Veba, the principal oil stock, and RWE, the North German electrical supplier which should benefit from higher prices this winter, as well as steady demand for the stocks with nuclear connections such as Siemens and Deutsche Babcock, even if Siemens' exposure to Iran on the nuclear side has been something of an embarrassment. Engineers such as KHD, GHH and Linde have benefited from the feeling that specialist plant will be required by the energy industry worldwide even in an international recession.

The Bank shares have also been back in fashion again; the rise in the bond market will limit the write-offs the banks will have to make against their bond portfolios. The sectors that have been out of fashion are the consumer goods manufacturers, the retailers, the car makers—although Volkswagen, which has large holdings of cash and a model range that is well-suited to an oil shortage, is something of an exception—and the building industry, the principal victim of the Bundesbank's credit squeeze.

The luxury car makers, Daimler-Benz and BMW, may be less vulnerable than they appear; their order-books stretch out a year ahead. And any British investor who wants to buy Daimler-Benz should make sure that Mercedes, the holding company for the Daimler shares floated off by Deutsche Bank three years ago, is not a cheaper way in (it often is). Chemicals are chiefly interesting for their yield to domestic investors, but the profits peak of the present cycle may now be past.

Unless the foreign interest in German stocks is maintained, it would not be surprising to see the present rally peter out quite soon. In mark terms German equities may perhaps be cheaper in a few months time, but a long-term investor cannot afford to hold off, even if the sterling value of his German portfolio may be subject to alarming swings at first. There is a strong argument for getting some exposure—defensive exposure, to energy stocks, banks, some bonds—quite soon, if only in order to have some Deutsche Mark assets for a rainy day.

GERMAN STOCKS

Market capitalisation of German equities	DM 145bn
Nominal value of domestic bonds	DM 480bn
Nominal value of foreign bonds	DM 65bn

TURNOVER

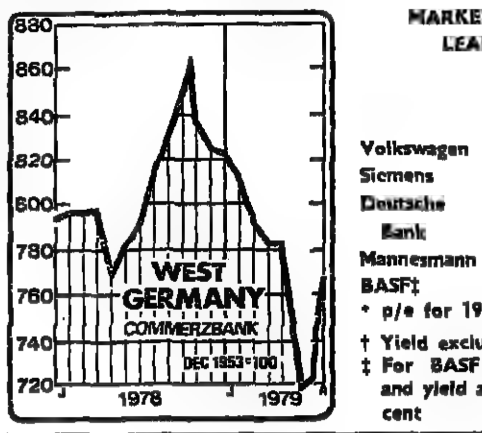
Around 95 per cent of equity trading passes through the stock exchange, but only about 10 per cent of bond trading. No precise turnover figure is published, but the Frankfurt Stock Exchange, accounting for a little under half of German stockmarket activity, turned over DM 15.8bn of equity transactions and DM 24.6bn of bonds in 1978. This year so far turnover has been somewhat lower.

DEALING

On the German markets dealing is channelled through the Banks. The Banks' dealers transact their orders through a Makler or broker — either a Kursmakler (official) or an unofficial freie Makler. The official brokers fix prices by matching supply and demand from customers, but do not hold positions of their own. An unofficial broker has his own book of stock with which he trades to balance the market at the margin.

COMMISSION

The Makler receives on equities 0.1 per cent, on bonds from 0.075 to 0.0075 per cent according to size. There is also a turnover tax, 0.25 per cent on equities and 0.1 per cent on public sector bonds. Banks charge a 1 per cent commission on equities, 0.5 per cent on bonds.



MARKET VALUATION OF LEADING STOCKS

	Price	p/e*	yield† (%)
Volkswagen	212	3.4	4.2
Siemens	262	7.4	3.1
Deutsche Bank	281	10.6	3.2
Mannesmann	162	9	3.4
BASF‡	139	12*	4.3*

* p/e for 1978
† Yield excludes tax credit
‡ For BASF the prospective p/e and yield are around 7 and 5 per cent

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	British Furniture Manufacturers Exhibition (01-734 0851) (until Aug. 8)	Manchester
Aug. 17—19	Custom Car Show (08833 4371)	Bristol Exbn. Centre
Aug. 19—23	International Craft and Hobby Fair (04252 72711)	Wembley Conference Centre
Aug. 21—23	Education and Communication Technology Exhibition (01-722 4139)	Holland Park School
Aug. 25—Sept. 1	International Motor Cycle Show (01-741 2156)	Earls Court
Sept. 2—6	Giftware and Fashion Accessories Trade Fair (Tunbridge Wells 36685)	Bristol Exbn. Centre
Sept. 3—7	International Music Publishing and Recording Industry Show—INTERPOP (01-486 0059)	Connaught Rooms, London
Sept. 3—7	Offshore Europe Exhibition and Conference (01-549 5831)	Aberdeen
Sept. 4—6	Point-of-Sale Exhibition (01-340 3291)	West Centre Hotel, London
Sept. 4—7	International Carpet Fair (021-705 6707)	Harrogate
Sept. 4—7	International Inplant Printing Show—REPRO. WORKSHOP (01-647 1001)	Wembley Conference Centre
Sept. 11—13	Electronics Show (08833 4371)	Bristol Exhibition Centre
Sept. 16—19	MAB '79—International Menswear Fair (01-839 5041)	Earls Court
Sept. 17—20	Filtech/Dustex '79—2nd World Filtration Exhibition (01-236 0911)	Olympia
Sept. 18—21	Firetech '79 International Fire Protection and Control Exhibition (01-637 2400)	Brighton Exbn. Centre
Sept. 24—26	Weightech '79 (01-686 5741)	Metropole Ex. Centre Brighton

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Aug. 7—11	Horse Show (Dublin 680645)	Dublin
Aug. 9—10	Computer Exhibition (01-930 7955)	Hong Kong
Aug. 11—19	Austrian Timber Fair (01-584 6933)	Klagenfurt
Aug. 13—16	National Hardware Show	Chicago
Aug. 13—17	ENVIRO '79—The International Environmental and Engineering Exhibition	Singapore
Aug. 17—26	International Trade Fair (01-486 1951)	Malmo
Aug. 20—Sept. 20	International Fair	Izmir
Aug. 20—24	International Packaging and Food Processing Exhibition—PAKPROCESS (01-486 1951)	Johannesburg
Aug. 24—Sept. 2	International Radio and TV Exbn. (01-540 1101)	Berlin
Aug. 26—27	Zuspa: International Shoe Samples Fair	Frankfurt
Aug. 26—29	International Fair (01-734 0543)	Johannesburg
Aug. 26—29	International Fair (01-734 0543)	Frankfurt
Aug. 27—30	Pharmaceutical and Chemist Supplies Exhibition (01-486 1951)	Utrecht
Aug. 28—31	Electrical and Electronics Components Exhibition	Gothenburg
Aug. 29—Sept. 12	Timber and Woodworking Industry Exhibition	Moscow
Aug. 31—Sept. 9	International Fair of Consumer Goods (01-874 6034)	Stockholm
Sept. 2—9	International Autumn Fair (01-493 3111)	Leipzig
Sept. 3—10	International Trade Fair	Plovdiv
Sept. 6—21	International Fair of Algiers	Algiers
Sept. 8—11	Technical Trade Expo (01-242 4784)	Cairo
Sept. 8—11	International Leather Week (01-439 3964)	Paris
Sept. 8—16	International Autumn Fair (01-584 6933)	Vienna
Sept. 8—23	International Fair	Ghent
Sept. 12—20	International Engineering Fair (01-278 0281)	Bruno
Sept. 13—16	International DIY Trade Fair (01-236 0911)	Essen

BUSINESS AND MANAGEMENT CONFERENCES

Current	Compower: Basic Trainee Programming Course (Cannock 2511) (until Aug. 17)	Cannock, Staffs.
Aug. 16—17	Brunel Management Programme: Personal Effectiveness Development Workshop (0895 56461)	Brunel University
Aug. 27—Sept. 2	Orb Foundation: Trade and Technology in Orbit (01-836 4638)	Wembley Conference Centre
Sept. 3—7	Brunel Management Prog.: Production Management and Human Behaviour (Uxbridge 56461)	Brunel University
Sept. 6—7	MSS. Management Skills for Women (Lincoln 38529)	Lincoln
Sept. 10—12	EMS: The Japanese Approach to Product Quality Management (High Wycombe 33171)	Institute of Directors, Pall Mall
Sept. 11—12	Freight Information Services: Practical Marketing for Road Hauliers (Southport 38515)	Southport
Sept. 11—12	ASUAG: International Chronometry Congress (01-387 0116)	Geneva
Sept. 12—13	Financial Times: Korea in the 1980s (01-236 4382)	Seoul
Sept. 12—15	International Newspaper Promotion Association: 9th European Conference	Munich
Sept. 13—14	Society of Chemical Industry: Marine Corrosion on Offshore Structures	University of Aberdeen
Sept. 14	CILA: Educational Conference (01-240 1496)	
Sept. 14	MSS Computer and Business Consultancy: Effective Budgeting and Financial Planning (Worthing 34755)	Royal Lancaster Hotel, W2 London
Sept. 18—21	Brunel Management: Experimental Methods in Management Training (Uxbridge 56461)	Brunel University
Sept. 17—21	Lamsac: Job Evaluation (01-828 2333)	Buckingham Gate, SW1
Sept. 18	The City of Westminster Chamber of Commerce: Security and Survival in an Age of Violence (01-734 2851)	H.M.S. Belfast
Sept. 18—21	University of Bradford Management Centre: Financial Control of R and D (Bradford 42299)	Heaton Mount, Bradford

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagement during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

[illegible]

DIVIDEND & INTEREST PAYMENTS—

[illegible]

WEDNESDAY, AUGUST 8

[illegible]

TOMORROW

COMPANY MEETINGS—

[illegible]

THURSDAY, AUGUST 9

COMPANY MEETINGS—

[illegible]

FRIDAY, AUGUST 10

[illegible]

SATURDAY, AUGUST 11

DIVIDEND & INTEREST PAYMENTS—

[illegible]

هكذا من الأصل

هكذا من الأصل

AUTHORISED UNIT TRUSTS

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Alexander Fund
37, rue Notre-Dame, Luxembourg.

Alexander Fund	US$8.16		...	—

Net asset value August 1

Allen Harvey & Ross Inv. Mgt. (C.I.)
1 Charing Cross, St. Helier, Jsy., C.I. 0534-73741

AHR Gilt Edg.Fd.	£12.67	12.68	...	12.02

Arbuthnot Securities (C.I.) Limited
P.O. Box 284, St. Helier, Jersey. 0534 76077

Cap. Tst. (Jersey)	123.0	127.0	.....	7.87

Next dealing August 6.

Gov't Secs. Tst.	95.5	98.0	.....	12.76

Next dealing date August 6.

East &Intl.Tst.(CI)	102	109	...	3.47

Next dealing date Aug. 9.

Australian Selection Fund NV
Market Opportunities, c/o Irish Young & Outhwaite, 127 Kent St., Sydney

US$1 Shares		$US1.48		—

Net asset value November 24

Bank of America International S.A.
35 Boulevard Royal, Luxembourg G.D.

Wldinvest Income	109.88	110.44	−0.17	8.38

Prices at August 2. Next sub. day August 8.

Banque Bruxelles Lambert
2, Rue De la Regence B 1000 Brussels

Renta Fund	$US59.78	61.62	+0.18	8.15

Barbican Managers (Jersey) Ltd.

Keyser Ullmann Ltd.
25, Milk Street, EC2V 8JE. 01-606 7070

Fonselex	Fr1,330	1,463	...	2.40
Bondselex	117.45	123.35		2.40
Central Assets	148.71	148.76	+0.03	—

King & Shaxson Mngrs.
1, Charing Cross, St. Helier, Jersey. (0534) 73741
Valley Hse., St. Peter Port, Grnsy. (0481) 24706
1 Thomas Street, Douglas, I.O.M. (0624) 4856

Gilt Fund (Jersey)	9.35	9.40	...	11.75
Gilt Trust (I.o.M.)	108.0	110.8	...	11.75
Gilt Fnd. Guernsey	9.85	9.91	...	11.75

Intl. Govt. Secs. Tst.

First Sterling	£21.96	22.10	.....	—
First Intl	$US239.26	240.01		—

Kleinwort Benson Limited
20, Fenchurch St., EC3. 01-623 8000

Eurinvest	LF1116		4.30	4.30
Guernsey Inc.	65.4	69.5	.....	4.62
Do. Accum	83.2	88.3		4.82
KB Far East Fd	US$13.27		..	2.26
KB Gilt Fund	£10.79	10.85	.	12.32
KB Int.Bd.Fd.Inc.	102.71		.....	8.20
KB Int.Bd.Fd.Acc	108.23			
KB Intl. Fund	$US12.67		..	2.21
KB Japan Fund	$US30.45		.	0.98
K.B. U.S. Gwth. Fd.	US$13.77		.	1.45
Signet Bermuda	$US5.34		...	1.87

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Helier, Jersey. 0534 27561

Lloyds Tst. O'seas	51.0	53.6	...	3.10

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

CANADIANS

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BANKS AND HIRE PURCHASE

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BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

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[illegible]

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[illegible]

CHEMICALS, PLASTICS

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[illegible]

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[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

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INDUSTRIALS—Continued

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

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PAPER, PRINTING ADVERTISING

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PROPERTY

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INSURANCE

[illegible]

PROPERTY—Continued

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SHIPPING

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SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

MINES—Continued

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

[illegible]

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

Feb.	Aug.	Buffels R1	$14	2.1	Q200c	ϕ	17.3
Aug.	Feb.	East Drie R1	$11⅞	2.7	†Q115c	1.6	11.7
Aug.	Feb.	East Rand Prp. R1	950c	2.7	†Q10c	—	1.3
June	Dec.	F.S. Geduld 50c	$23⅞	30.10	†Q315c	2.4	15.9
June	Dec.	Pres. Brand 50c	$17	30.10	†Q150c	3.2	10.7
May	Nov.	St. Helena R1	$15⅞	2a.3	†Q190c	1.4	14.5
Aug.	Feb.	Stilfontein 50c	650c	2.1	†Q66c	1.7	12.3
Aug.	Feb.	Vaal Reefs 50c	$28⅞	29.1	†Q280c	2.7	12.4
Feb.	Aug.	West Drie R1	$43	2.7	Q615c	ϕ	17.3
June	Dec.	West Hldgs. 50c	$31½	2.5	†Q415c	1.4	15.9
Feb.	Aug.	Western Deep R2	$14	29.1	†Q147½c	2.1	13.8

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling or in EEC currencies are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- II No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stay unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 19

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	......	Sindall (Wm.)	160	......
Bertam	24	......	IRISH		
[illegible]			[illegible]		

OPTIONS

3-month Call Rates

[illegible]

FINANCIAL TIMES

Monday August 6 1979

Cossiga ends Italian government crisis

BY PAUL BETTS IN ROME

AN ITALIAN Government led by the Christian Democrat Sig. Francesco Cossiga was sworn in yesterday. This ended, temporarily at least, the country's longest, most bitter, and confused Government crisis in some 30 years.

Sig. Cossiga was the fourth politician to try to form a Government since the inconclusive general election two months ago. It took him only 48 hours to assemble an administration composed of 16 Christian Democrat Ministers, four Social Democrats, two Liberals and two so-called "Technocrats."

The Government is not strictly speaking a political coalition but a compromise to allow a truce between the embattled political parties. It is expected to win the confidence of Parliament later this week.

The Christian Democrats, Social Democrats, and Liberals will vote in favour at the end of this week's confidence debate. The Socialists, who hold the key to any working parliamentary majority without the Communists, will tacitly support it by abstaining. The Republicans are also likely to abstain, while the Communists will vote against it.

After the sharp deterioration in the political climate during the past weeks, the new administration is essentially designed to give the country a working Government until a more stable political solution is eventually found.

This is not likely to be an easy process in view of the bitter rift between the Socialists and the current Christian Democrat leadership, which earlier opposed an attempt by the Socialist leader, Sig. Bettino Craxi, to form a Government.

Major divisions have now also surfaced between the smaller parties.

In any event, no solid and longer-term solution is expected to emerge until the Christian Democrats—at present deeply divided amongst themselves—have held their key national congress scheduled in the late autumn.

Economic problems

The new Government is expected to concentrate essentially on the country's immediate economic problems and measures to tackle law and order.

Sig. Virgilio Rognoni was confirmed as Interior Minister. A Christian Democrat, he was first nominated Interior Minister last year following the resignation of Sig. Cossiga, who formerly held the portfolio after the death of Sig. Aldo Moro, the Christian Democrat leader.

The Prime Minister has put together what is generally regarded to be a strong economic team in the Cabinet in view of the renewed pressures on the Italian economy.

Latest estimates indicate the country's annual rate of inflation this year could reach 18 per cent compared to an original target of 12 per cent. The added cost of energy imports and the deterioration of the terms of trade are already putting strains on the balance of payments current account.

Sig. Filippo Maria Pandolfi, who before Sig. Cossiga tried unsuccessfully to form a government, was reconfirmed at the Treasury. The budget portfolio has gone to Senator Nino Andreatta, the economic adviser of the late Sig. Moro, while Sig. Francesco Reviglio, a "technocrat" of socialist sympathies and finance professor at Turin University, has been named Finance Minister.

A leading jurist, Sig. Massimo Severo Giannini, was appointed Minister for Public Administration. There was no such post in the last Government and this indicates Sig. Cossiga's intention to tackle the urgent problem of a reform of Italy's chaotic public administration.

Sig. Arnaldo Forlani, the Foreign Minister in the last three administration of Sig. Giulio Andreotti, has been replaced by Sig. Franco Maria Malfatti, the first Italian President of the EEC Commission and Finance Minister in the last Government.

Oil search off China 'may start next year'

BY DAVID HOUSEGO, ASIA CORRESPONDENT

WESTERN OIL companies believe that exploratory drilling might begin in China's offshore waters by late next year or early 1981.

China's continental shelf remains one of the few promising offshore areas in the world in which there has been virtually no exploitation.

Seismic surveys are being carried out by Western companies, including British Petroleum, in eight concession areas in the Yellow Sea and the South China Sea.

BP is surveying a large area in the Yellow Sea. Its contract with the Chinese lays down that it must hand over the seismic data of its preliminary survey and its interpretation of the findings by March 31 next year. Other companies have been given similar deadlines.

The Chinese have told Western officials that they are drawing up a law setting out the terms of offshore exploration and development. Western companies expect some form of production-sharing arrangement. The Chinese have indicated that they hope to have the law ready this winter.

Once its details are known and the Chinese have the interpretation of the data in their hands, which, for many areas, they may have by January, they will be in a position to denominate blocks for drilling.

The blocks might be opened to bidding by international companies by the middle of next year.

BP is acting as operator for a group of about 16 companies. It has an office in Shanghai.

Neither BP nor any of its partners, which include Atlantic Richfield, Union Oil, Phillips, Exxon and Elf Aquitaine, have obtained rights to drill as a result of survey work.

The seismic survey was originally estimated to cost $6m. An initial agreement was made with BP in February and a contract concluded in June.

In spite of the slow-down of their present three-year readjustment programme, the Chinese are clearly giving priority to offshore exploration. Oil offers the greatest prospect of sharply increasing their export earnings.

There are signs that the leadership is awaiting the preliminary results of the offshore programme before making further calculations on the scale of the country's plant imports and on what it can afford to borrow.

Elf Aquitaine is surveying an area adjacent to the BP sector. Exxon, Mobil, Caltex and Phillips are operators for four areas in the South China Sea. Atlantic Richfield has an exclusive programme south of Hainan Island and Amoco is the operating company in a survey to the west.

Estimates by the CIA, based on admittedly sparse evidence, have put China's offshore reserves at about 39bn barrels. The Chinese have conducted only sporadic seismic surveys of their offshore waters, which are of only moderate quality by Western standards.

The maximum water depth in the area that BP is surveying is 220 feet; thus oil could be brought in to productionu in as little as 18 months to two years from the discovery of commercially exploitable deposits. BP is believed to have been told by the Chinese that its sector borders a recently discovered onshore field.

The Chinese have also been engaged in negotiations with Japan over appraising and developing deposits in the Gulf of Bohai. Agreement has been held up, however, over differences on sharing the risks and the financing.

The rising pace of China's domestic consumption will inevitably restrict the country's exportable surplus. Production last year amounted to 2m barrels a day, of which net exports were about 380,000 barels a day.

Rail surcharge plan in reserve

BY LYNTON McLAIN

BRITISH RAIL is unlikely to introduce fuel surcharges to cover higher operating costs at least until the end of the year. But this will make even more certain that substatial increases in rail fares—perhaps more than 20 per cent—from January.

Moves to hold back fuel surcharges for passengers and freight depend, however, on further stability of fuel supplies and prices.

The British Rail board has managed so far to cushion the worst effects of fuel shortages and price rises by improving efficiency and cutting some local services.

The services were cut by 2 per cent in June and a similar amount was cut from the British Rail fuel bill. Some trains started operating with two instead of the usual four power units.

The possibilities for other savings are thought to be limited, unless there are substantial cuts in main-line services.

Mr. Sidney Weighall, general secretary of the National Union of Railwaymen, warned last month that increases in rail fares of between 20 per cent and 25 per cent may be inevitable.

But the British Rail board has not finalised the figure for a January increase. It has to strike a balance between covering increased operating costs and not raising fares so much that travellers desert the trains.

Sir Peter Parker, chairman, told the annual meeting of the National Union of Railwaymen in June that there would be "no further general increase in rail fares this year." But he did not rule out the possibility of fuel surcharges.

The last rail fare increase was in January when tickets rose by an average of 9 per cent.

● The interim report on British Rail's electrification proposals, which could cost up to £520m, is now with the Government and the British Rail board. The result of a year's work by a group set up by Mr. William Rodgers, the former Transport Secretary, to examine the case for expanding electrification, the report costs various options, but does not say how much revenue would be generated.

Weather

UK TODAY

CLOUDY, outbreaks of rain, some heavy, in the north. Warmer, mostly dry, sunny intervals in the south.

London, S.E. England, E. Anglia, E. Midlands, Channel Is.

Cloudy, occasional rain at first, becoming dry with sunny intervals. Max. 25C (77F).

W. Midlands, Central N., N.W., N.E., E. England

Mostly dry, sunny intervals. Max. 24C (75F).

S.W. England, Wales

Occasional drizzle on hills and coasts at first. Becoming mostly dry. Max. 22C (72F).

Lakes, Isle of Man

Cloudy, rain or drizzle. Max. 19C (66F).

Orkney, Shetland

Rain early, becoming drier and brighter. Further rain later.

Rest of Scotland, N. Ireland

Mostly cloudy, rain at times. Some heavy hill fog. Max. 18C (64F).

Outlook: Cool, showery weather spreading from north.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day Midday °C	°F			Y'day Midday °C	°F
Ajaccio	S	28	82	Chicago	R	23	73	London	F	21	70	Prague	F	21	70
Algiers	S	32	90	Cologne	F	19	66	Luxmbg.	F	21	70	Reykjvk.	C	13	56
Amsdm.	F	20	68	Cpnhgn.	S	19	66	Luxor	S	40	104	Rhodes	S	31	88
Athens	S	32	90	Corfu	S	36	97	Madrid	S	33	91	Rio J'o	S	24	76
Bahrain	S	37	99	Dublin	R	16	61	Majorca	S	35	95	Rome	S	30	86
Barclna.	F	28	82	Dbrvnk.	S	30	86	Malaga	S	28	82	Salzbrg.	S	23	73
Beirut	S	29	84	Ednbgh.	R	15	59	Malta	S	37	99	Singapr.	C	28	82
Belfast	R	15	59	Faro	S	26	79	M'chstr	C	18	64	Stckhm.	C	18	64
Belgrd.	S	23	73	Florence	S	32	90	Melbne.	C	13	55	Strasbg.	S	25	77
Berlin	S	19	66	Frankft.	F	22	72	Milan	S	28	82	Sydney	S	17	63
Biarritz	F	23	73	Geneva	S	23	73	Montreal	F	22	72	Tangier	S	26	79
Bmghm.	C	19	66	Gibrltr.	S	27	81	Moscow	F	22	72	Tehran	S	26	78
Blackpl.	C	18	64	Glasgow	R	14	57	Munich	S	21	70	Tel Aviv	S	28	82
Bordx.	S	28	82	G'rnsey	S	19	66	Nairobi	S	23	73	Tenerife	S	21	70
Boulon.	F	18	64	Helsinki	F	18	64	Naples	S	30	86	Tokyo	S	31	88
Bristol	F	20	68	H. Kong	S	31	87	N'wcstl.	R	17	63	Toronto	S	25	77
Brussels	S	22	72	Innsbrk.	S	24	75	N. York	S	30	86	Tunis	S	38	100
Budpst.	F	24	75	Invrnss.	C	14	57	Nice	S	27	81	Valencia	F	29	84
B. Aires	S	13	56	I. o Man	R	14	57	Nicosia	S	30	86	Venice	S	27	81
Chicago	R	23	73	Jersey	S	21	70	Oslo	F	16	61	Vienna	S	22	72
Cairo	S	36	96	Jo'burg	S	17	63	Paris	F	26	79	Warsaw	C	18	64
Cas'b'ca	F	23	73	L. Plms.	S	24	75	Perth	S	14	57	Zurich	S	24	75
Cardiff	C	19	66	Lisbon	S	24	75								
Capt T.	C	15	59	Locarno	S	25	77								

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

FT SURVEY OF BUSINESS OPINION

Industry feels more long-term optimism

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE LEVEL of business activity has picked up since the spring and industry has become more optimistic about long-term economic prospects than before the general election. But businessmen are increasingly worried about the short-term outlook in view of an accelarating inflation rate and a probable recession.

This is indicated by the latest Financial Times survey of business opinion published today. The sectors interviewed this month are building and construction, food and tobacco and textiles and clothing.

The overall trend of business confidence over the last four months is shown as much higher in the FT inquiry than in last week's Confederation of British Industry industrial trends survey. The contrast may be partly explained by differences in the coverage and compilation of the two surveys.

Both inquiries, are however, in broad agreement that industry's new orders and deliveries have improved over the last few months by comparison with the aftermath of the poor weather and labour troubles of the winter.

The FT survey points to quite a sharp improvement in demand since the spring while the CBI survey suggested that below-capacity working was at its lowest level for more than five years. This is in line with other recent evidence such as continuing strong corporate demand for bank loans.

There is no evidence in the FT survey of any weakening of activity in the immediate future though the CBI warned that the outlook for orders and output was much less encouraging.

Although most economic forecasters now expect a recession over the next 18 months there is uncertainty about when the downturn will occur.

Industry is unanimous about the deterioration in the inflation outlook. Companies covered by the FT survey now expect wage increases of 13.8 per cent over the next 12 months, which is higher than at any time since March, 1976. The index of price expectations is now at its highest since the end of 1977.

An indication of the inflation prospects will be given later today when the wholesale price indices for July are published. They are likely to show the favourable impact of the strength of sterling upon manufacturing industry's raw material costs, though output or factory-gate prices have probably continued to rise steadily.

The other main economic indicators this week will come tomorrow when the banking figures for mid-July are due.

Clydebank yard sale sought by Marathon

BY RAY PERMAN, SCOTTISH CORRESPONDENT

MARATHON Manufacturing, the U.S. oil engineering corporation, is looking for a buyer for its UK rig-building yard, which was saved from closure at the beginning of the year by a Government order.

Some British and European companies are understood to be interested in the yard, at Clydebank.

Marathon is building a £12m jack-up oil rig for St. Vincent Drilling, a company set up by the Scottish Economic Planning Department and the British National Oil Corporation specifically for placing the order and saving the yard from closure.

The Texas-based corporation was reluctant to take the contract because of the low price and the slump in the European off-shore market, which made it unlikely that there would be follow-up work.

Although Marathon is committed to completing the contract, it would be willing to sell the yard before then if a buyer could be found.

Mr. Ian Kenny, convener of shop stewards at Clydebank, said it had been made clear by Mr. Gene Woodfin, president of the parent company, that Marathon was not interested in retaining the yard after completion of the order.

The Government would have to be consulted about any change of ownership since, as a result of various aid packages to Marathon, it holds 62 per cent of the share capital of the UK subsidiary in preference stock, worth £3.2m.

Marathon Shipbuilders was set up in the old John Brown shipyard after the collapse of Upper Clyde Shipbuilders. Since then its work and industrial relations have been good.

Small company aid plans being drafted

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A SERIES of financial and other initiatives to encourage the growth of small and medium-sized companies is being hastily prepared by Government departments for launching in the autumn.

The measures will include steps to make it easier for small companies to raise capital, the possible easing of local authority planning controls and procedures and simplification of Government legislation.

It has yet to be decided whether the measures will be announced as one "enterprise package" or whether they will be introduced gradually.

The pace of activity in Whitehall has quickened during recent weeks. Both Ministers and civil servants of departments such as the Treasury, Industry, Environment and Employment expect to be kept busy throughout the coming two months finalising ideas for the Cabinet.

The urgency stems from Ministers' awareness that the Budget's tax incentives will not work fast enough to unleash the entrepreneurial drive which they believe essential to combat rising unemployment and to counter a fall-off in industrial activity.

Some of the ideas now being considered will be shelved or discarded before the autumn. Many originated during the last two years of the Labour Government.

They include plans for the Government to encourage, and maybe subsidise, a guarantee scheme for clearing bank loans. The aim would be to reduce the administrative burden and the financial risk of banks lending to small companies with no track record.

A similar guarantee scheme for risk capital of up to £100,000 provided by venture capital companies has also been discussed, but Sir Keith Joseph, Industry Secretary, is believed to have some reservations about the idea.

A more likely runner could be a scheme to develop the work of the Industry Department's 10 regional small companies counselling services so that they use their local expertise and knowledge to sift through small business applications for equity or loans.

Continued from Page 1

Rhodesia

The British, with bitter memories of the abortive 1976 Geneva all-party talks, do not want to call a constitutional conference until it is pretty clear that the new constitution will be accepted.

The outline of the constitution will probably emerge in the conference communique. It will draw heavily on those clauses that guarantee the positions of whites in Tanganyikan, Kenyan and Zambian independence constitutions. When it sees the light of day, it will be described as a "British-originated" constitution.

The sanctions issue, which has loomed to large in the pre-conference discussions of Rhodesia, has not played a major role in the Lusaka talks. But the knowledge that the British order on sanctions runs out on November 15, and the difficulties that Mrs. Thatcher could face with a large section of her own party, have concentrated the minds of the main parties to the conflict.

The hope is that the problem of sanctions will go away. "Sanctions is a dead issue," is the attitude of one delegation that played an important role in this weekend's talks.

THE LEX COLUMN

The cash squeeze on companies

How bad a squeeze? British industry, judging by last week's CBI industrial trends survey, has suddenly woken up to the problems which confront it. But there has not been any radical reassessment by the stock market: the All-Share Index may be a sixth off its May peak, but it is still around 9 per cent ahead for the year so far.

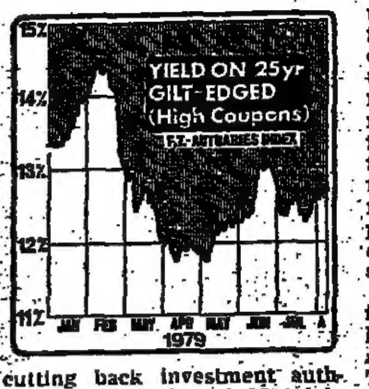
Forecasts of a financial deficit for the industrial and commercial company sector of £3.6bn evoke memories of the notorious 1974 deficit of £4.4bn. But since then inflation has increased all the numbers by a factor of about 2.1. In real terms the £1.57bn seasonally adjusted deficit recorded for industrial and commercial companies in the first quarter of 1979—possibly a freak quarter—was only about half as great as the peak deficits reached in the second and third quarters of 1974.

As for the equity market, it has the protection that it has never returned to the fancy levels in real terms seen in the early 1970s. If you do not climb so high you cannot fall so far. In early August 1974 the All-Share was passing down through 100 on its way to the bear market low of 61.92. In terms of 1974 money, the All-Share is now no higher than about 114—and the financial squeeze does not seem likely to be anything like as serious.

But August 1974 and August 1979 are not precisely comparable points of the economic cycle. The parallels are not exact, but we could be around six months further away from a turning point than in the summer of 1974. The same could apply on the international stage, where the first wave of massive OPEC price increases hit the world economy in the autumn of 1973 but the second wave did not fully arrive until the spring of 1979—and then on a rather smaller scale.

In the last couple of weeks the City has come round increasingly to the view that the financial squeeze still has many months to run. Industry is experiencing particularly severe pressure on margins because of the strength of sterling, which is restricting the ability of manufacturers to raise prices at a time of rapid cost rises. Meantime spending on fixed assets and stocks has cont nued to rise in real terms in the first half of the year.

According to the CBI survey, which was conducted in the first half of July, companies are only just starting to think about



cutting back investment authorisations and there is certainly no sign of any sharp fall. There is a more widespread intention to ease back on stock levels—but the need to preserve tax relief on stocks could make companies reluctant to begin any crash programmes here. Since companies are generally only modestly geared compared with 1974, and can usually rely on big unused overdraft facilities, there is no need for them to resort to emergency measures.

This could mean that the company sector will continue to run a large deficit in 1980—and it may well be that the personal sector will have to make room by cutting back on credit demands. For the equity market there is little reason to fear a 1974-style collapse, but there could be a long, bumpy ride ahead.

Insurance accounts

Simply excluding insurance companies from the provisions of Exposure Draft 24 will not make the problem of inflation accounting go away as far as the composites are concerned. At the very least they face the challenge that at some time in the next two or three years company taxation will very likely be shifted over to a basis which will look something roughly like the ED 24 system. It could be expensive for the insurance companies to be left out. More fundamentally, there is a continuing need to find an earnings measure for insurance companies which corresponds more closely with their apparent capital requirements and dividend paying capacity and incidentally also fits in with the stock market's empirical valuation of the sector.

Two brokers have just tackled the subject in research papers. One firm, Laing and Cruickshank, believe that the balance sheets of the composites are already adjusted broadly for the effects of inflation and, to a large extent, their earnings are too. They draw the parallel with the banks, which have already established the principle that they should make a capital maintenance provision. So they recommend a simple adjustment to maintain solvency margins, though they cautiously suggest that this should only be at the rate of 20 per cent of pre-tax profits rather than the 40 per cent needed to maintain existing solvency margins in 1978.

Rule-of-thumb provisions are fundamentally unsatisfactory, however, and brokers Phillips and Drew try to probe deeper. Their solution is a two-stage adjustment to published earnings: first, they add the change in the market value of investments, and secondly they deduct a sum equal to the rate of inflation times the shareholders' funds.

The basis for this approach is that inflation brings balance sheet problems for insurance companies if their capital base is eroded, in real terms. If their portfolio management is successful enough to maintain the real value of shareholders' funds, however, then they can finance the growth of premiums in money terms in line with inflation.

Normal accounting procedure is that the income from investments is counted as part of earnings but the capital fluctuations are not. The switch from equity-type to fixed interest investments by composite insurance companies in recent years has had the effect of boosting earnings, but is likely to have had a cost in terms of asset growth. The P and D approach would have the advantage of integrating income earnings and capital earnings.

Insurance companies dislike such an approach because it would make their earnings extremely volatile. Certainly quarterly or half-yearly earnings on such a basis would be unhelpful. But over a period of several years the significance would emerge. P and D calculate that aggregate real earnings of the composites over the eight years since 1971 were not quite enough to cover dividends paid.

Moreover they claim that the sector's price relative has reflected the pattern of real retentions much more closely than the pattern of published retentions. And as for the individual shares, Sun Alliance and General Accident come out best since 1971 in terms of real retentions, and they have also achieved the best overall share price performances.

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V G H

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